ForteBank

THE KALEIDOSCOPE OF EVENTS

2022

annual report

ABOUT FORTE

ForteBank, JSC *(hereinafter referred to as ForteBank, JSC, ForteBank, Forte, or the Bank)* holds a leading position in the Kazakhstan financial system, being listed among the country's TOP-5 banks in terms of assets and loan portfolio as of the end of 2022. The Bank operates a wide branch network represented by 98 service offices in 20 branches.

Providing its customers with a full range of high-tech banking services, Forte guarantees their quality, quickness, convenience and reliability.

The Bank strives for a harmonious fusion of moderate risk appetite and advanced financial technology. To achieve this, Forte focuses on international business standards and seeks to strictly observe generally accepted principles of corporate ethics.

The modern ForteBank started to develop as the Bank's customers know it on January 1, 2015, upon the merger of three Kazakhstani banks – ForteBank, JSC, Temirbank, JSC and Alliance Bank, JSC. The last two banks were among the oldest financial institutions in the country. ForteBank has repeatedly been acknowledged as the Best Bank in Kazakhstan by prominent international magazines:

ASIAMONEY

Kazakhstan's best domestic bank in 2019, 2020, 2021, 2022 according to Asiamoney

EUROMONEY

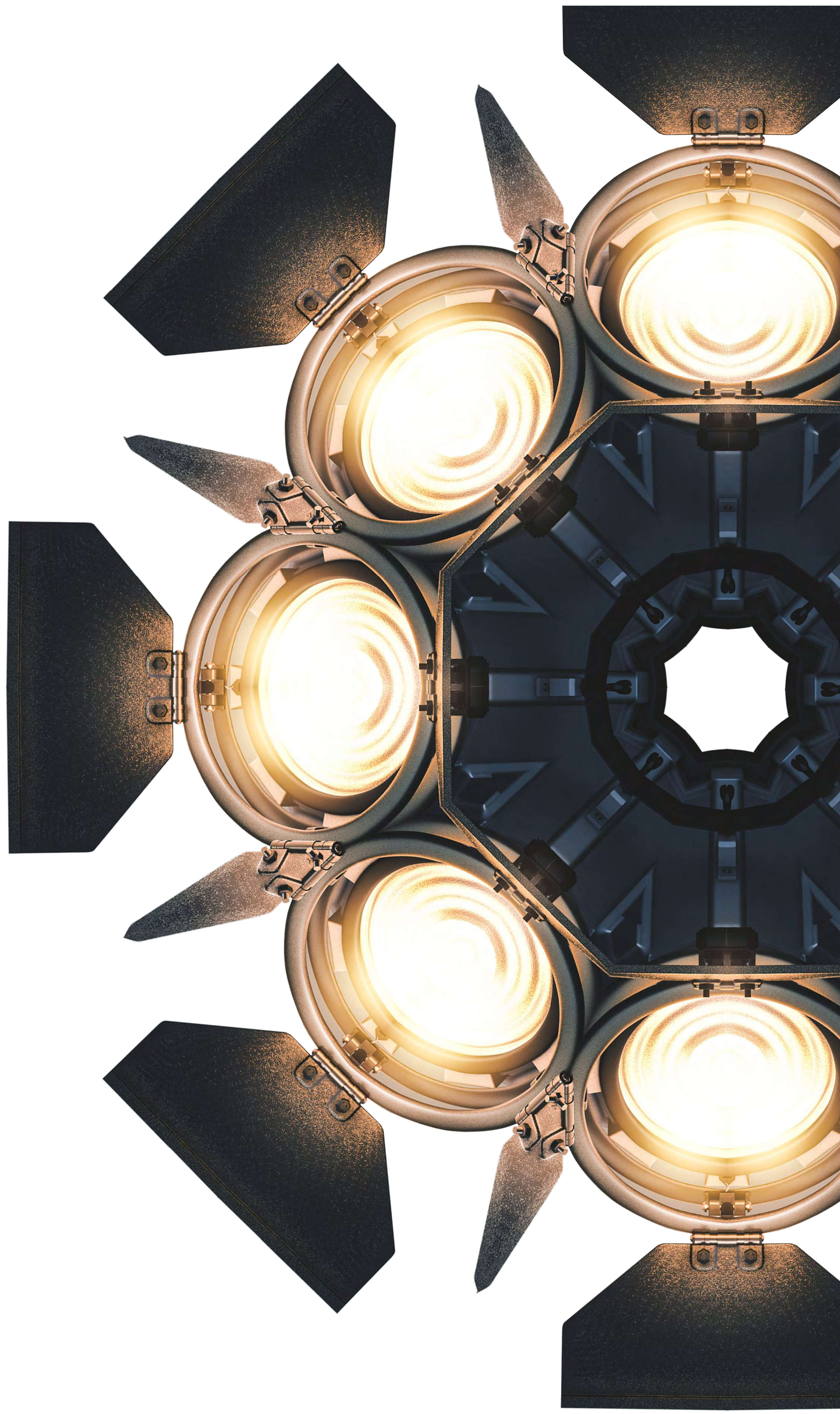
Best Bank in Kazakhstan in 2021 according to Euromoney

The Banker
Global Financial Intelligence Since 1926

Bank of the Year in Kazakhstan in 2017, 2018, 2020, 2022 according to The Banker

GLOBAL FINANCE

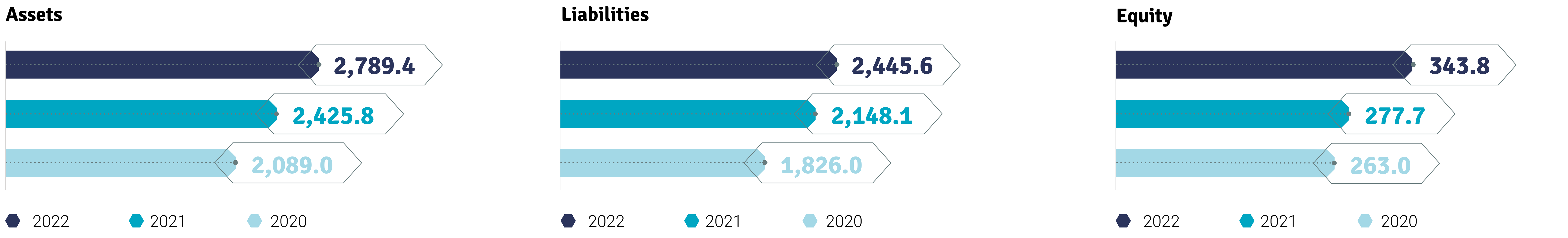
Best Bank in Kazakhstan in 2018, 2019, 2020, 2021, 2022 according to Global Finance



KEY PERFORMANCE INDICATORS

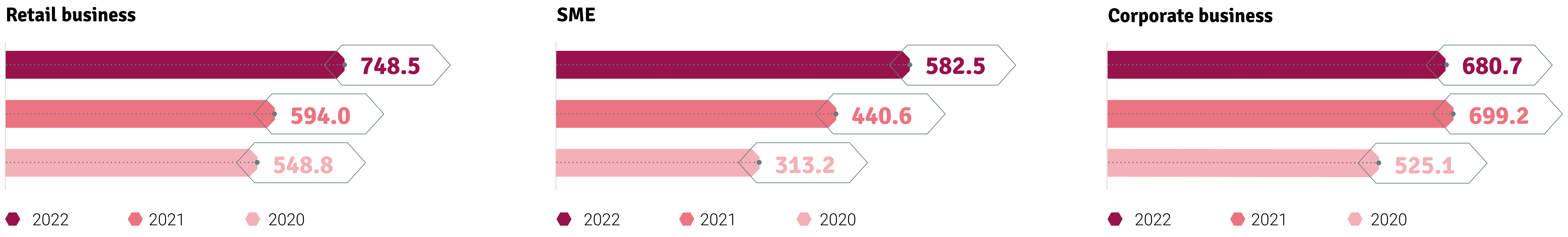
Assets, liabilities and equity

KZT bn, YE2022



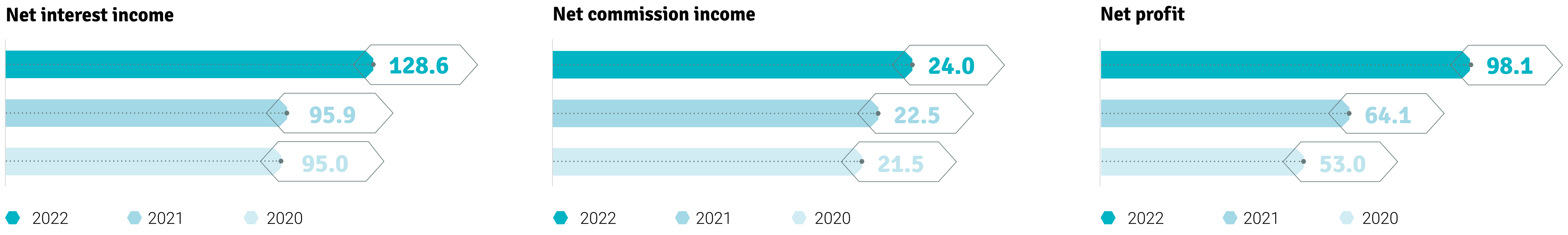
Customer deposits

KZT bn, YE2022



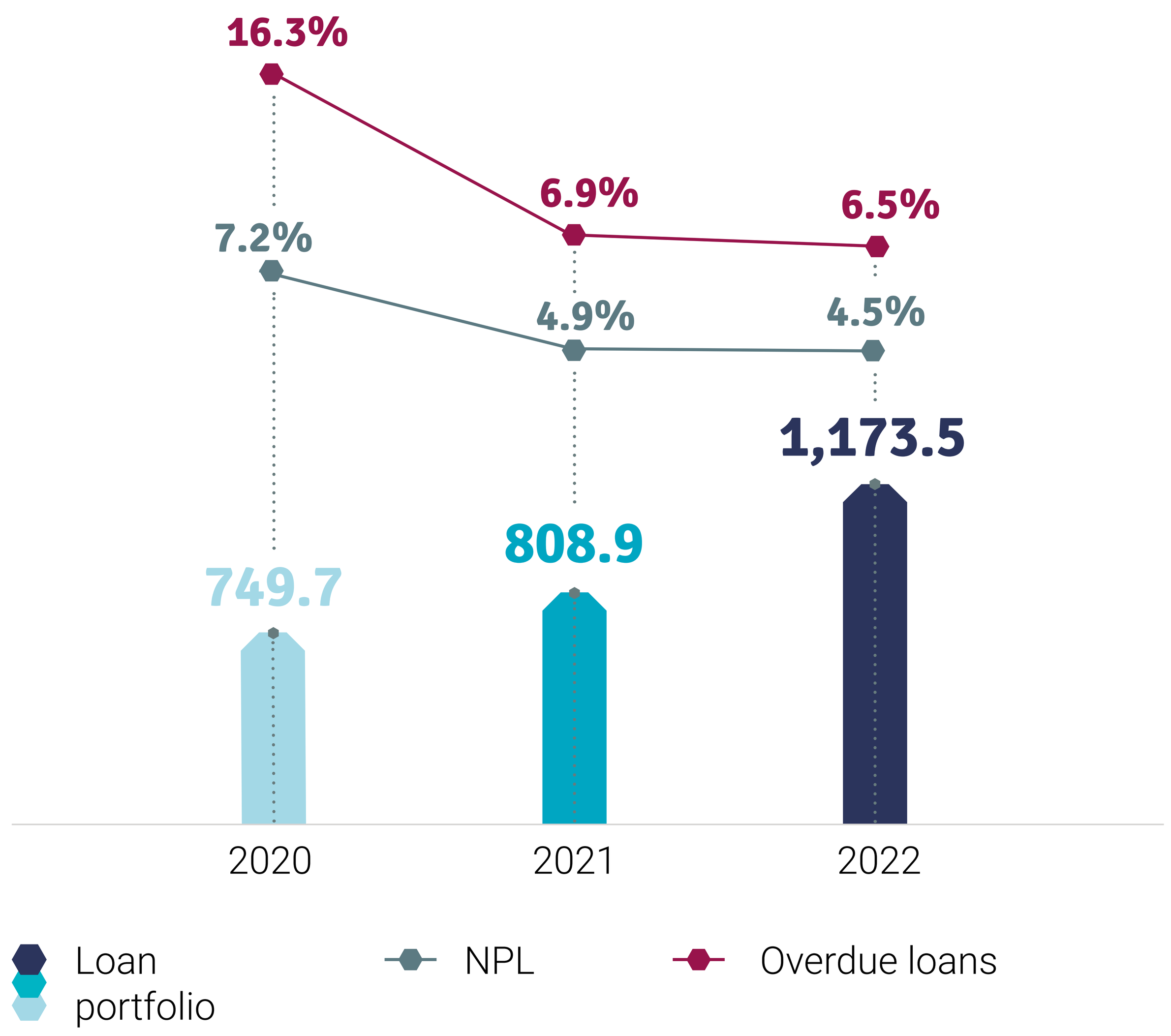
The Bank's income

KZT bn, YE 2022

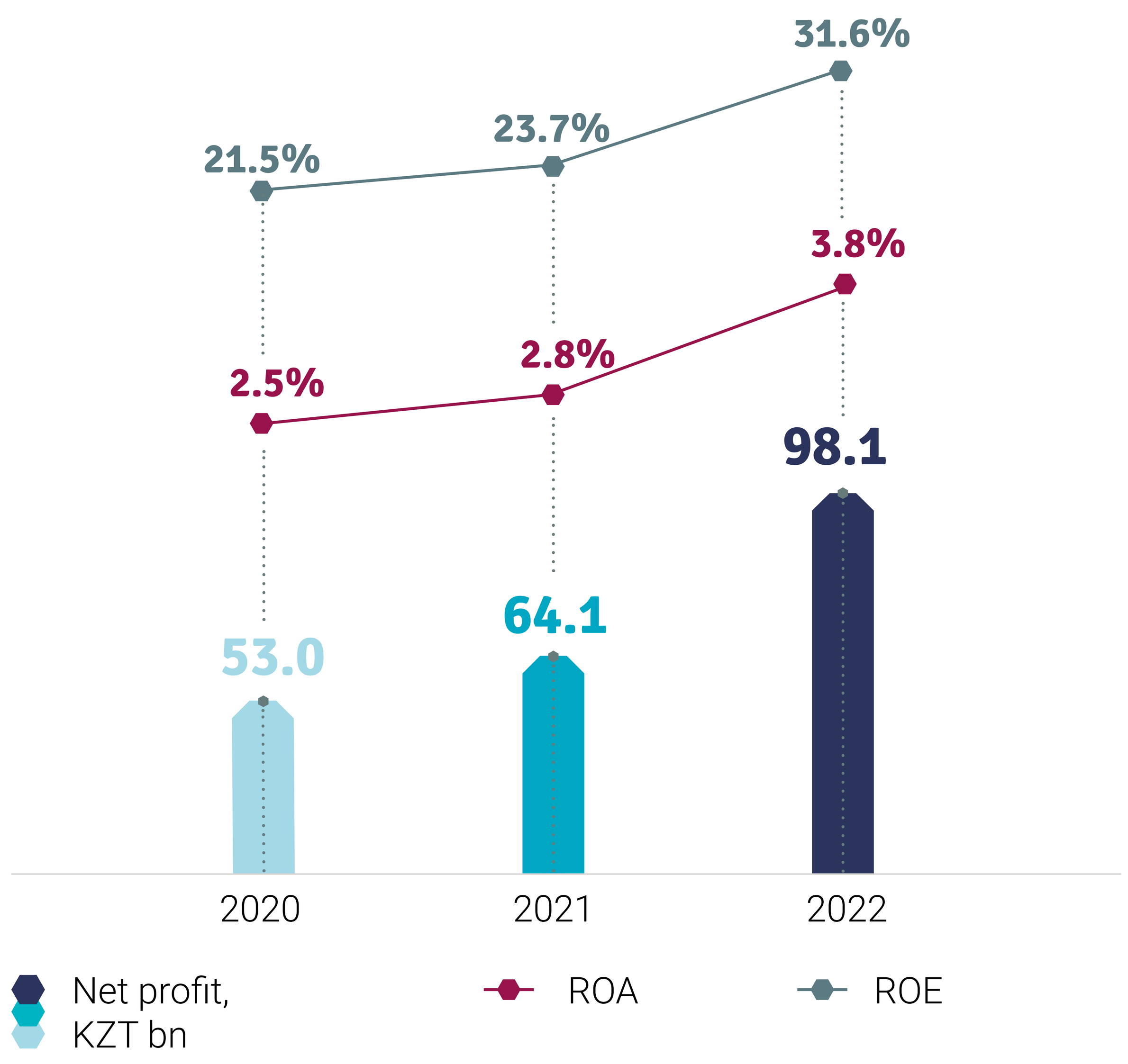


Loan portfolio *(net)*

KZT bn, YE2022



Return on assets and equity



KEY EVENTS OF THE REPORTING YEAR

12 January
Reinis Rubenis *(Latvia)* is appointed Chairperson of the Management Board.

17 January
Forte opens accounts for the Qazaqstan Halqyna Public Fund established at the initiative of President of Kazakhstan Kassym-Jomart Tokayev.

19 January
Forte becomes the first bank with a certification center accredited by the Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan in accordance with the new requirements.

26 January
S&P Global Ratings confirms ForteBank's ratings at "B-/B". with a Positive outlook. The Bank's national scale rating is "kzBBB+".

12 April
Forte is awarded as the Best Bank in Kazakhstan by Global Finance for the fifth consecutive year.

13 April
Moody's confirms ForteBank, JSC's rating of "Ba2" with a Stable Outlook.

2 June
The Bank is among the first in Kazakhstan to join a global initiative – Closing the Gender Gap Accelerator, a gender equality program run by the World Economic Forum.

8 July
S&P upgrades ForteBank, JSC's rating to "BB-" with a Stable Outlook.

14 July
Bekzhan Pirmatov is appointed as the Chairperson of the Management Board of ForteBank, JSC.

14 September
Fitch Ratings upgrades ForteBank's rating to "BB-" with a Stable Outlook.

11 November
ForteBank becomes a member of the National ESG Club, which brings together Kazakhstan leaders in ESG transformation.

20 December
Asiamoney honors Forte with Kazakhstan's Best Domestic Bank, Kazakhstan's Best Bank for SMEs and Kazakhstan's Best Bank for CSR awards.

ADDRESS BY THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Dear customers, partners and investors!

What is our Forte?

Since last year we have been actively searching for answers to a number of existential questions.

What are our strengths and what is our nature? What areas do we need to improve or develop? What sets us apart from our competitors? What do we strive for? Who are we catering for now, and who do we intend to cater for in the future?

Members of the Board of Directors together with the Bank's managers hold lengthy discussions in order to update and crystallize our strategy. This has been necessitated by two factors.

On the one hand, the world around us has changed significantly.

External geopolitical factors have influenced the country's regulatory environment, with new red flags emerging. The market has also been affected, with the capabilities of stable and strong banks becoming limited almost overnight, so much so that the only way to save customer funds is to change shareholders.

Customers continue to evolve, becoming increasingly competent, demanding and tech-savvy. Now they expect their banks to adopt innovative solutions designed to make their lives even more comfortable.

On the other hand, we have changed as well. We have become even stronger, more confident and more reliable than before.

In 2022, we achieved record-breaking performance. In terms of key metrics, Forte was growing faster than the banking sector on average. Leading international agencies consistently assign us high ratings, which reflects our strong position in the industry. And most importantly, an increasing number of customers trust us.

Therefore, we have set new strategic goals and objectives with a focus on becoming one of the three largest private banks in Kazakhstan in terms of assets.

This goal is ambitious but achievable, and the journey towards it is challenging but exciting.

Forte's loan and deposit portfolios are well diversified and well balanced in terms of market segments. We intend to maintain the established balance while growing and developing across all segments, including the retail business, SMEs and the corporate business.

We will advance product and service digitalization in every customer segment. Instead of following the common trend of building and maintaining closed ecosystems, we intend to develop an open platform hosting both our proprietary services and services offered by our partners.

ForteBusiness, our app for business customers, has already become a market leader in terms of functionality and convenience, and we will take active steps to maintain its leading status. We will expand our range of offers to combine financial products with non-financial services. Ultimately, Forte will make an even greater contribution to facilitating entrepreneurship.

Another major strategic priority is to improve customer experience. We are going to develop high-quality services to make sure that our customers feel cared for at every step of their customer journey.

Furthermore, we need to effectively manage compliance risk, which has increased significantly. Enhanced regulatory supervision and the continuing risk of secondary sanctions make this issue another strategic priority.

We have everything we need in order to accomplish these tasks: strong market positions, financial resilience, customers' trust and, most importantly, a capable team.

This is what our Forte is.

Yours faithfully,

Chairperson of the Board of Directors of ForteBank, JSC
Yeldar Abdrazakov

ADDRESS BY THE CHAIRPERSON OF THE MANAGEMENT BOARD

Dear partners, colleagues and readers of our Report!

What makes us Forte?

Last year was marked by Forte's record-breaking achievements. Despite internal and external shocks to Kazakhstan's economy, the Bank managed to increase its assets by 15% to almost KZT 2.8 tn. We expanded our total loan portfolio and our deposit base by 46.1% and 16% respectively mainly due to the influx of new customers. The share of impaired loans in the loan portfolio decreased from 13.2% to 8.7%, while return on equity rose to 31.6%.

This success is attributable to several factors.

Firstly, our growth, reliability and resilience have been supported by a business model that combines healthy conservatism and realistic risk perception.

Secondly, the development and adoption of advanced digital technology and innovative banking products attract customers, providing them with access to a full range of services through a mobile app without the need to visit the Bank's offices.

The Bank's assets at the end of 2022

2.8 KZT tn

+15%

Thirdly, market developments have reshaped the market structure amid large-scale customer migration between banks, and Forte has benefitted from this.

But the most important drivers are the competences, expertise and skills of everyone working at Forte. I would like to thank all my colleagues from the Head Office and branches for their efficient day-to-day work. I would also like to express my gratitude to every former employee and manager for the foundation that they have laid and the opportunities that they have provided for the Bank's growth.

Forte's team has always been and will remain its core asset. Being committed to fully unlocking the potential of our employees, we provide them with training and professional development opportunities. Each new employee of the Bank undergoes an onboarding procedure that includes multiple steps, enabling them to acquire the skills required to handle the new job and to embrace the Bank's corporate culture.

The Bank fully accepts the responsibility towards future generations and subscribes to the global sustainable development agenda. In 2022, Forte worked extensively to improve its ESG approaches, with international and Kazakhstan's consultants engaged in April to coordinate these initiatives. Some outcomes of this work are presented in this Report.

Our customers' interests are at the center of the Bank's sustainable development policy. We make every effort to improve our interaction with our depositors and borrowers, as well as to build and maintain trust-based relationships with them.

We are fully aware of our corporate social responsibility. Accordingly, we regularly provide support to various projects related to culture and sports, and take part in charity events.

We are equally conscious of our responsibility towards our customers, shareholders and the state. As the regulatory environment of the banking sector is becoming increasingly complex due to geopolitical processes, we enhance compliance risk management.

Team unity, high-quality and efficient work, building and maintaining trust-based relationships with customers, responsibility for the present and the future are our key values that make us Forte.

With best regards,

Chairperson of the Management Board of ForteBank, JSC

Bekzhan Pirmatov

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01 FORTE'S PORTRAIT

No. 5 among Kazakhstan's banks in terms of assets

98 service offices

20 branches in Kazakhstan

BACKGROUND

ForteBank, JSC holds a leading position in the Kazakhstan financial system and offers a full range of high-tech financial services. ForteBank is a versatile bank that guarantees its customers high-quality, quick, manageable and reliable services.

In early 2023, Forte was among the five largest Kazakhstan's banks in terms of assets and loan portfolio. The Bank operates an extensive branch network, providing customers with a full package of banking services through its branches and offices, as well as via a mobile app and online banking.

The Bank strives to maintain a harmonious combination of moderate risk appetite and advanced financial technology. Being guided by international business standards, Forte seeks to strictly observe generally accepted principles of corporate ethics. Maintaining an appropriate balance between the interests of our shareholders, investors and customers is a fundamental principle behind our operations.

The Bank's securities are listed on the Luxembourg Stock Exchange *(LuxSE)*, Kazakhstan Stock Exchange *(KASE)* and Astana International Exchange *(AIX)*.

International ratings of ForteBank, JSC*

STANDARD & POOR'S

«BB-»
Long-term credit rating

«B»
Short-term credit rating

«kzA-»
National scale rating

«Stable»
Projected rating change

MOODY'S

«Ba2»
Long-term deposit rating

«Stable»
Projected rating change

FitchRatings

«BB-»
Long-term issuer default rating

«B»
Short-term issuer default rating

«A-(kaz)»
Long-term national rating

«Stable»
Projected rating change

** As of the date of the Report.*

FORTE'S HISTORY

The Bank entered its current development stage on January 1, 2015, when Temirbank, JSC and ABC Bank, JSC *(former Forte Bank, JSC)* merged with Alliance Bank, JSC. The reorganization ended with rebranding of the latter, whose name was changed to ForteBank, JSC on February 10, 2015. The merged bank's assets amounted to KZT 900.7 bn *(or about USD 5 bn at the exchange rate of early 2015)*.

Alliance Bank, JSC was a legal successor of IrtyshBusinessBank, OJSC established on July 13, 1999 by the reorganization and merger of two regional banks: Semipalatinsk City Joint-Stock Bank, OJSC *(established on July 7, 1993)* and IrtyshBusinessBank, OJSC *(established on April 24, 1992)*. The merged bank inherited the name of IrtyshBusinessBank, OJSC and operated under it until March 2002. On March 13, 2002, IrtyshBusinessBank, OJSC was reregistered as Alliance Bank, JSC.

2015

January 1
All property, rights and responsibilities of Temirbank, JSC and ABC Bank, JSC are transferred to Alliance Bank, JSC.

February 10
Alliance Bank, JSC is renamed ForteBank, JSC.

April 20
The Bank joins a preferential interest rates lending program for individuals who purchase cars produced at Kazakhstan-based assembly plants.

July 27
The first bonds issued after the Bank's reorganization are listed on KASE. The offering size is KZT 50 bn with a maturity period of 10 years.

2016

June 1
Forte launches a next-generation online banking service developed together with Monitise PLC *(UK)*, a global leader in digital financial technology.

June 6
Forte opens its first new-style office. The new office concept was developed by DINN, the globally renowned Italian design studio.

September 27
Moody's assigns the Bank "B3" rating with a Stable Outlook.

November 29
ForteBank signs a loan agreement for KZT 20.4 bn *(USD 60 mln)* with the European Bank for Reconstruction and Development on lending to SME projects and financing women's enterprises under the EBRD's Women in Business Program.

2017

September 20
ForteBank's mobile app is recognized as Breakthrough of the Year at the 6th Mobile Services and Payments – MobiEvent'17 International Conference.

September 30
Voluntary liquidation of the Bank's subsidiary Alliance Finance, LLC *(Moscow)*

October 16
Moody's upgrades the Bank's outlook to Positive from Stable, confirming all the Bank's ratings at "B3".

November 29
ForteBank is awarded Bank of the Year in Kazakhstan according to The Banker magazine *(UK)*.

2018

March 19
ForteBank is recognized as the Best Bank in Kazakhstan 2018 by Global Finance, a reputable magazine.

July 26
Fitch assigns the Bank the long-term and short-term ratings of "B" with a Stable Outlook.

October 11
Holders of ForteBank cards get the opportunity to use Apple Pay.

November 28
S&P upgrades ForteBank's outlook to Positive from Stable, confirming its ratings of "B".

November 29
ForteBank wins the Bank of the Year in Kazakhstan award by The Banker for the second consecutive year.

December 13
The Bank's Board of Directors resolves to acquire 100% of shares of Bank Kassa Nova, JSC.

2019

March 12
Global Finance recognizes ForteBank as the Best Bank in Kazakhstan for the second consecutive year.

April 23
The Bank acquires a 100% stake in ONE Technologies, LLP.

April 24
ForteBank enters the SME financing program run by the Asian Development Bank.

April 29
The Bank closes the deal of purchasing 100% of Bank Kassa Nova, JSC.

June 6
S&P upgrades ForteBank's ratings from "B" to "B+" with a Stable Outlook.

July 15
Moody's upgrades ForteBank's long-term deposit rating by two notches, from "B3" to "B1", with a Stable Outlook.

December 3
Fitch upgrades the Bank's outlook to Positive from Stable and confirms its long-term issuer default rating of "B".

December 27
ForteBank is recognized as Kazakhstan's best domestic bank 2019 according to Asiamoney. Asiamoney is an international financial magazine, which is a division of Euromoney Institutional Investor PLC Group.

December 30
ForteBank joins the SME financing program run by the European Bank for Reconstruction and Development

2020

January 28
ForteBank launches Samsung Pay in cooperation with Samsung Electronics.

March 19
ForteBank starts providing loan servicing benefits during the state of emergency and quarantine restrictions due to COVID-19.

April 28
Global Finance recognizes ForteBank as the Best Bank in Kazakhstan for the third consecutive year.

May 26
ForteBank becomes the first bank to launch ForteMobile, its own mobile operator as a part of its ecosystem.

June 19
S&P confirms ForteBank's ratings at "B+/B" with a Stable Outlook.

July 4
ForteBank signs an agreement on selling 100% of shares in Bank Kassa Nova, JSC to Freedom Finance Investment Company.

November 23
Fitch confirms ForteBank's long-term issuer default rating of "B" with a Stable Outlook.

November 30
ForteBank wins the Bank of the Year in Kazakhstan award according to The Banker for the third time in a row.

December 30
ForteBank is recognized as Kazakhstan's best domestic bank according to Asiamoney for the second consecutive year.

2021

April 2
Global Finance recognizes ForteBank as the Best Bank in Kazakhstan for the fourth consecutive year.

July 14
ForteBank received the award Best Bank in Kazakhstan according to the authoritative international publication Euromoney.

September 17
S&P upgrades ForteBank's outlook to Positive from Stable, as well as its national scale rating from "kzBBB" to "kzBBB+" and confirms its long-term and short-term ratings of "B+/B".

September 22
Fitch upgrades ForteBank's long-term issuer default rating to "B+" from "B" and enhances its outlook to Positive from Stable. The Bank's national scale rating is upgraded by two notches to "BB+(kaz)" from "BBB(kaz)", with its sustainability rating raised to "b+" from "b".

November 29
Forte is shortlisted for the Working Capital Loans Award 2021 based on the study of credit products related to working capital loans by SME Banking Club, an international association of business bankers. SME Banking Club nominated two new products of the Bank intended for IEs: Online Lending and Lending Against POS Terminal Turnover Online.

December 15
Moody's upgraded ForteBank's long-term deposit rating to "Ba3" from "Ba2" with a Stable Outlook.

December 30
ForteBank is recognized as Kazakhstan's best domestic bank according to Asiamoney for the third consecutive year.

2022

January 12
ForteBank's Management Board is headed by Reinis Rubenis, a banker with 25 years of experience in the European banking and finance sectors.

January 19
Forte becomes the first bank with a certification center accredited by the Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan in accordance with the new requirements. The certification center accreditation allows the Bank's customers to obtain EDS via Forte's mobile app.

January 26
S&P Global Ratings confirms ForteBank's ratings at "B-/B". The Bank's national scale rating is "kzBBB+" with a Positive Outlook.

April 12
Forte is awarded the Best Bank in Kazakhstan by Global Finance magazine for the fifth consecutive year.

April 13
Moody's confirms ForteBank's rating of "Ba2" with a Stable Outlook.

June 2
The Bank is among the first in Kazakhstan to join the World Economic Forum's global initiative – Closing the Gender Gap *(a gender equality program)*.

July 8
S&P upgrades ForteBank, JSC's credit rating to "BB-" with a Stable Outlook.

July 14
Bekzhan Pirmatov is appointed Chairperson of the Management Board of ForteBank, JSC.

September 15
Fitch Ratings upgrades ForteBank's rating to "BB-" with a Stable Outlook.

November 11
ForteBank becomes a member of the National ESG Club, which brings together Kazakhstan leaders in ESG transformation.

December 1
ForteBank was recognized as the Best Bank in Kazakhstan according to The Banker magazine in 2022.

December 20
Asiamoney honors Forte with Kazakhstan's Best Domestic Bank, Kazakhstan's Best Bank for SMEs and Kazakhstan's Best Bank for CSR awards.

KEY LINES OF BUSINESS

Retail banking

Retail segment

- Simple products and fast service
- High automation and standardization
- Automated risk management based on scoring
- Well-developed network of ATMs and POS terminals
- Mobile banking
- Full range of products, including loans, deposits and money transfers
- Additional services within the ecosystem

Premier

- Premium service
- Personal consultant
- Individual/flexible terms
- Private banking partnership
- Safe deposit services
- Focus on investment products

Corporate banking

SME

- Standardized and simple products
- Lending under government programs
- High automation and standardization
- Online and mobile banking
- Full range of products, including loans, deposits, payroll programs, guarantees, payments and money transfers
- Additional services within the ecosystem
- Partner programs

Corporate segment

- Business development loans, including working capital lending and investment lending
- Overdrafts
- Deposits
- Documentary operations
- Additional services within the ecosystem
- Partner programs
- Government programs/export finance
- Promissory notes/factoring
- Treasury operations
- Cash management

FORTE ECOSYSTEM

As of the end of 2022, Forte ecosystem included:

ForteMarket

A marketplace that brings together manufacturers, sellers and buyers on the same platform

ForteMobile

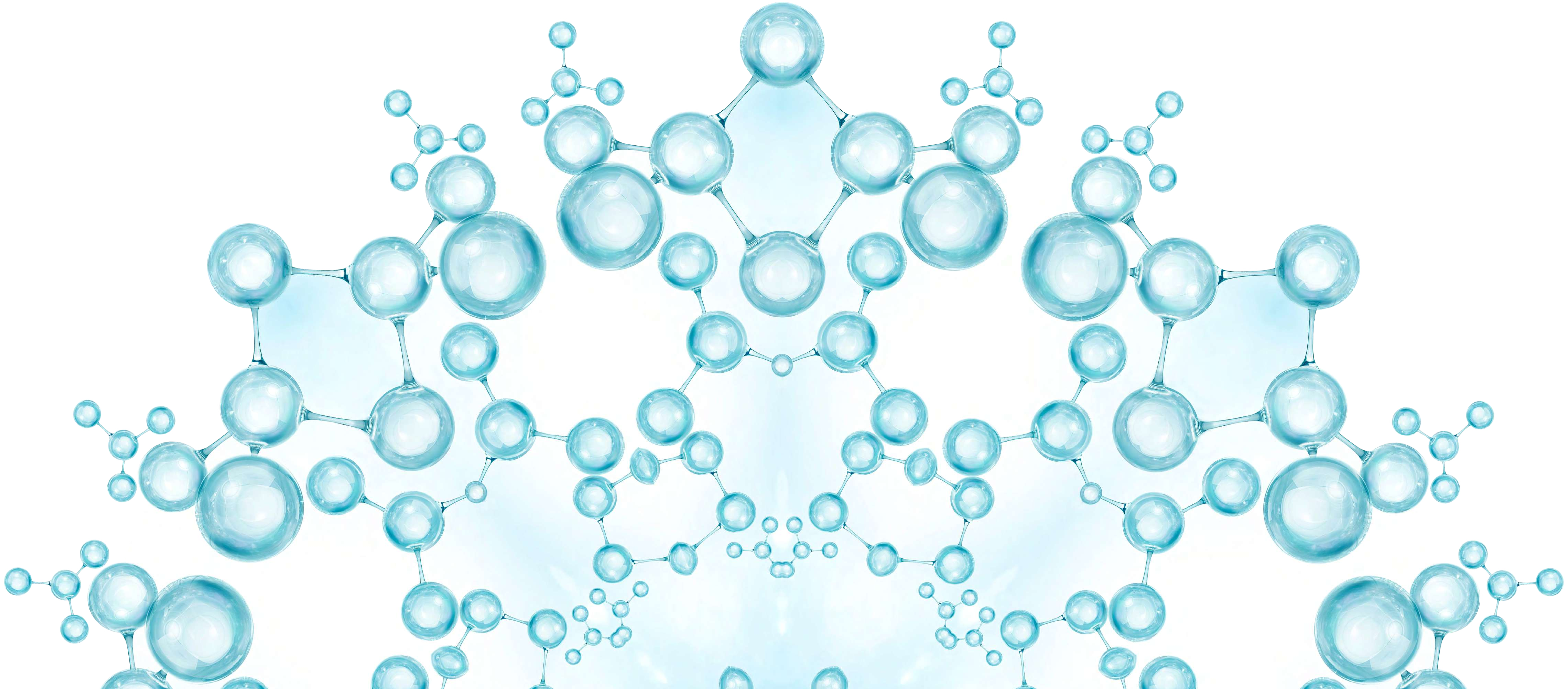
Mobile communication based on tying payment cards to a SIM card

ForteLogistics

Door-to-door delivery of banking and other products of Forte ecosystem and rendering delivery services to other Kazakhstan's banks

In 2020 and 2022, the Bank also developed ecosystem products, which gained popularity under COVID-related restrictions. ForteTravelQaz was a platform for selling tours by travel companies focused on domestic tourism, while ForteFood was a grocery delivery service.

These services were suspended due to low profitability and the need to allocate of resources to fast-growing projects that currently require more attention.



ORGANIZATIONAL STRUCTURE

SUBSIDIARIES

ForteBank holds a 100% stake in five subsidiaries: ForteFinance, JSC, ForteLeasing, JSC, ONE Technologies, LLP, OUSA-Alliance, LLP and OUSA-F, LLP.

Company	Year of incorporation	Business profile	Key indicators as of December 31, 2022				
			Assets	Equity	Net profit	ROA	ROE
ForteFinance, JSC	2020	Brokerage and dealing; investment portfolio management	4.53 KZT bn	3.52 KZT bn	62.21 KZT mln	1.1%	1.5%
ForteLeasing, JSC	2001	Equipment and real estate leasing in the Republic of Kazakhstan	13.75 KZT bn	5.48 KZT bn	846.2 KZT mln	7.1%	16.9%
ONE Technologies, LLP	2015	Software development	4.10 KZT bn	3.23 KZT bn	-415.5 KZT mln	-10.6%	-11.8%
OUSA Alliance LLP	2013	Management of doubtful and bad assets	8.74 KZT bn	2.80 KZT bn	135 KZT mln	1.4%	5.1%
OUSA-F LLP	2015	Management of doubtful and bad assets	16.99 KZT bn	3.91 KZT bn	-281.9 KZT mln	-1.6%	-7.0%

GEOGRAPHY AND SCOPE OF OPERATIONS

The Bank is presented in 20 regions of Kazakhstan. As of the end of 2022, the Bank ranked fifth among Kazakhstan's banks in terms of assets and sixth in terms of the size of the loan portfolio.

as of December 31, 2022

ASSETS

2.9
KZT tn

6.5% of the banking system assets

LOAN PORTFOLIO

1,275.6
KZT bn*

5,3% of gross loan portfolio of the banking system

* Market share according to regulatory reporting submitted to NBK (gross, on a stand-alone basis under KAS).

NUMBER OF ACTIVE CUSTOMERS

1,111,700
persons

Individuals

71,343
entities
(including individual entrepreneurs)

SMEs

802
large companies

Corporate business

BRANCH NETWORK AND INFRASTRUCTURE

20
branches

98
service offices**

37
cities and localities

95 offices ***(out of 98)*** serve retail customers, including **4 offices** intended for premium customers

53 offices ***(out of 98)*** serve SMEs and corporates

757
ATMs

72% of which have cash-in function

1,500
POS terminals

** Including offices located in head offices of the branches.

02 THE BANK'S CORPORATE STRATEGY

The best bank in Kazakhstan according to:

- **Asiamoney** *(in 2019, 2020, 2021 and 2022)*
- **Global Finance** *(in 2018, 2019, 2020, 2021 and 2022)*
- **Euromoney** *(in 2021)*
- **The Banker** *(in 2017, 2018, 2020 and 2022)*

MISSION AND VISION

OUR MISSION

ForteBank is a reliable partner in your daily financial life.

HOW DO WE SEE OUR COMPANY IN THE FUTURE?

ForteBank is a high-tech financial institution that developed the most popular financial ecosystem in Kazakhstan.

OUR CORPORATE VALUES

TRUST

We value the trust of our customers, colleagues, partners, regulators, investors and shareholders.

SUSTAINABLE DEVELOPMENT

We make balanced decisions today in order to ensure fulfilling our promises tomorrow.

UNITY

We promote collaboration and teamwork, being guided by the shared victory principle.

QUALITY

We strive to surpass our customers' expectations by providing them with convenient services of the highest quality.

EFFICIENCY

We value efficiency and strive for continuous improvement of our processes.

OUR STRATEGIC PRIORITIES

PRIORITY

TO INCREASE FORTEBANK'S SHARE ACROSS ALL LINES OF BUSINESS

IMPLEMENTATION MEASURES:

- To create a broad ecosystem of financial and non-financial services that offers various capabilities for tackling our customers' daily tasks;
- To improve our existing products and services and develop new ones;
- To improve our customers' experience.

GOALS AND EXPECTED OUTCOMES:

- To gain leading positions in all the segments: retail business, SME, corporate business.

PRIORITY

TO DIGITALIZE OUR SERVICES AND PRODUCTS

IMPLEMENTATION MEASURES:

- To digitalize existing services and products;
- To develop new digital products and services: mortgage, car loans, GovTech, digital sales channel partnerships;
- To digitalize after-sale services.

GOALS AND EXPECTED OUTCOMES:

- To create a digital platform for our customers, which is as handy as possible and offers a wide range of personalized products and services.

PRIORITY

TO MANAGE COMPLIANCE RISK IN AN EFFICIENT MANNER

IMPLEMENTATION MEASURES:

- To identify and assess compliance risk threats and events, to find out causes of violations/flaws and to implement relevant corrective measures;
- To develop a compliance culture;
- To revise conflict interest management, including adoption of the conflict of interest matrix;
- To optimize and automate the building a related party register/list.

GOALS AND EXPECTED OUTCOMES:

- To maintain the Bank's compliance risk exposure at an acceptable level *(low/medium)*;
- To increase the Bank's employees' awareness of and engagement in compliance risk management issues;
- To minimize conflicts of interest in the units' operations/employees' activities;
- To ensure compliance with the applicable law;
- To increase information quality to build data on related parties.

PRIORITY

TO IMPROVE CUSTOMER EXPERIENCE

IMPLEMENTATION MEASURES:

- To launch customer loyalty and service quality measurements;
- To provide immediate response to customer feedback 360° *(channels, products, complaints, social media, geomaps)*;
- To implement and develop UX/UI *(customer experience design, research and diagnostics of customer needs)*.

GOALS AND EXPECTED OUTCOMES:

- To increase the Net Promoter Score *(NPS)* as well as the quality and fastness of services via all service channels;
- To build a high-quality service process on each step of the customer along the entire customer journey;
- To develop convenient and easy-to-use online products enabling seamless customer journeys in Forte's app.

SUSTAINABLE DEVELOPMENT

Integration of sustainable development principles into the corporate strategy

ForteBank is actively working on improving the Bank's compliance with sustainable development principles. In 2022, the Bank established a task force on sustainable development that consists of over 40 key employees representing various lines of the Bank's business.

To coordinate its sustainable development activities, Forte engaged external consultants in April 2022, including international experts in ESG and sustainable development.

SUSTAINABLE DEVELOPMENT ACTIVITIES IN 2022

1. The Bank's key employees and management were introduced to the international agenda and trained in ESG and sustainable development principles.
2. The Bank performed GAP analysis of its business processes and internal documents for compliance with ESG and sustainable development principles.
3. The Bank identified and interviewed its key stakeholder groups.
4. The Bank determined priority topics and key indicators to be disclosed in its reporting under the international GRI, SASB and TCFD standards.
5. The Bank prepared a draft of its Sustainable Development Strategy and a Roadmap for its implementation.

In 2022, the Bank joined two initiatives related to implementing the ESG agenda:

On June 2, 2022

ForteBank was among the first in Kazakhstan to join a global initiative – Closing the Gender Gap Accelerator, a gender equality program run by the World Economic Forum;

On November 11, 2022

The Bank became a member of the National ESG Club, which brought together Kazakhstan leaders in ESG transformation.

ACHIEVEMENT OF STRATEGIC GOALS PLANNED FOR 2022

The Bank's Annual Report for 2021 established five strategic goals for 2022, four of which were successfully achieved. The actual net profit in 2022 exceeded the plan by 44.2%, and the actual business income was 53.5% higher than planned. The operating expenses to net interest and net non-interest income ratio, as well as the share of non-performing loans in the loan portfolio were below target by 8.2% and 4.4%, respectively.

In 2022, the number of active users of Forte's mobile app rose significantly. The growth of monthly active users reached 44% YoY, which is slightly below the target of 1,000,000 customers.

Indicator	2022 Target	Actual performance as of 2022YE	Actual performance in 2022 vs target	Actual performance in 2022 vs 2021
Net profit, KZT mln	68,000	**98,086**	+44.2%	+52.8%
Business income*, KZT mln	151,760	**198,166**	+30.7%	+49.7%
Cost-to-income ratio, %**	37.2%	**29.0%**	-8.2 pp	-6.4 pp
Share of NPL in the loan portfolio under KFRS, %	9.0%	**4.5%**	-4.4 pp	-0.5 pp
MAU*** of the mobile app, number of customers	1,000,000	**824,435**	-17.6%	+43.9%

** Sum of net interest income, net commission income and net income from foreign exchange transactions.*
*** Ratio of operating expenses to operating income. A lowering figure indicates positive dynamics, and vice versa.*
**** Monthly active users: number of active users visiting the Bank's mobile app at least once a month.*

STRATEGIC GOALS FOR 2023

Net profit

>81,785 KZT mln

Business income

>202,957 KZT mln

Share of NPL in the loan portfolio

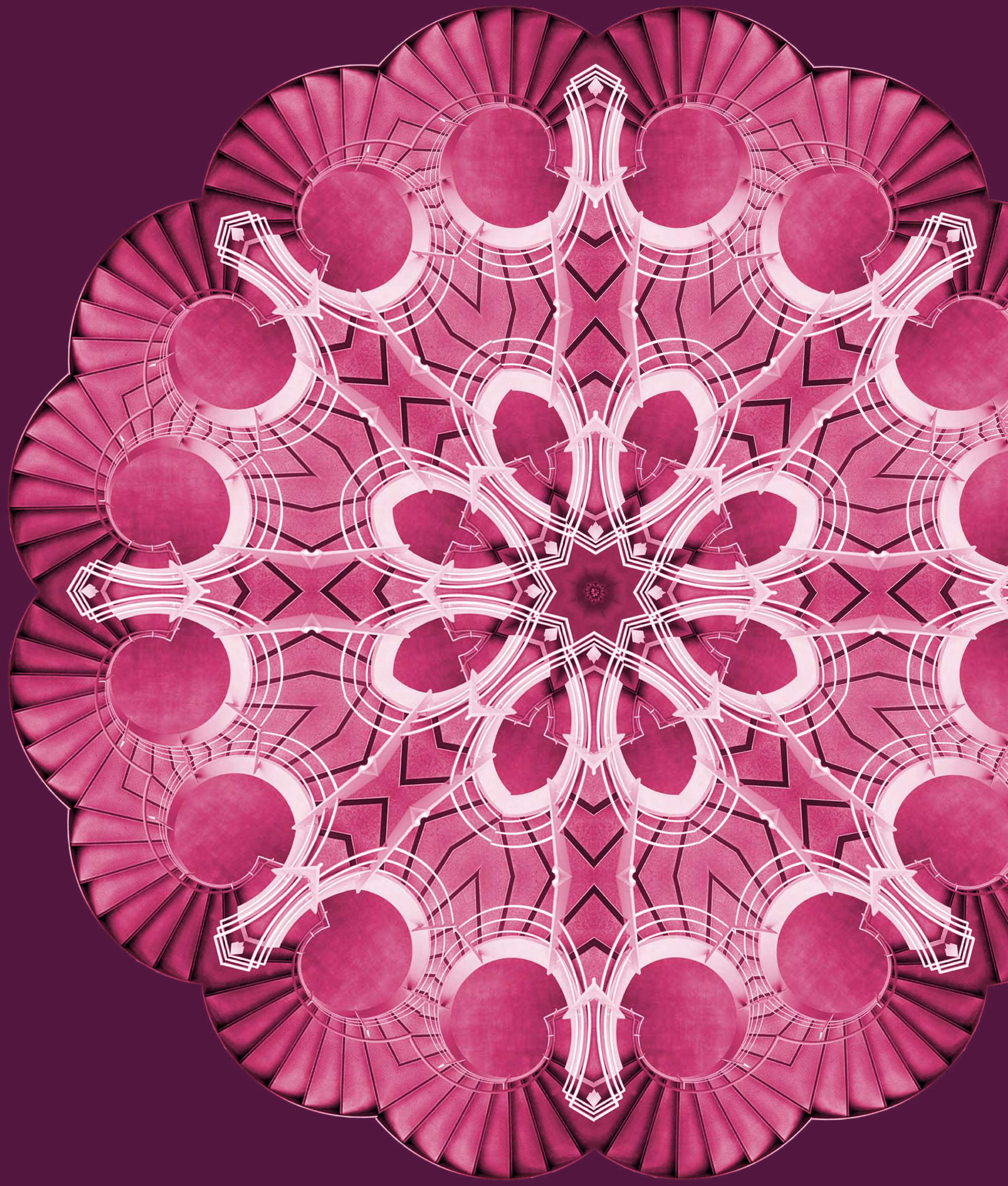
<8.0%

Cost-to-income ratio

<37.5%

MAU of the mobile app, number of customers

>721,000

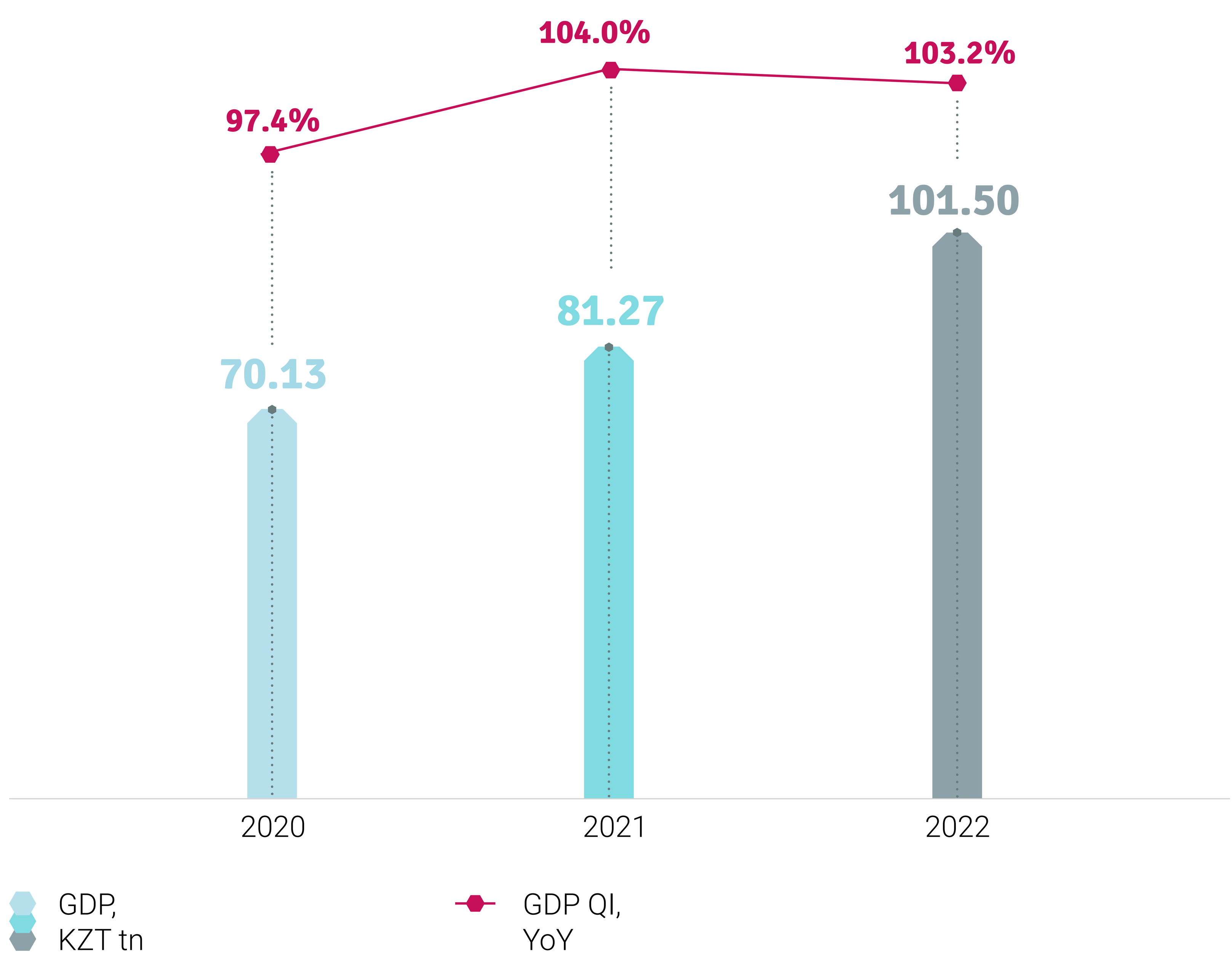


03 MANAGEMENT REPORT

53 %
net profit growth in 2022

MACROECONOMIC ENVIRONMENT

GDP dynamics

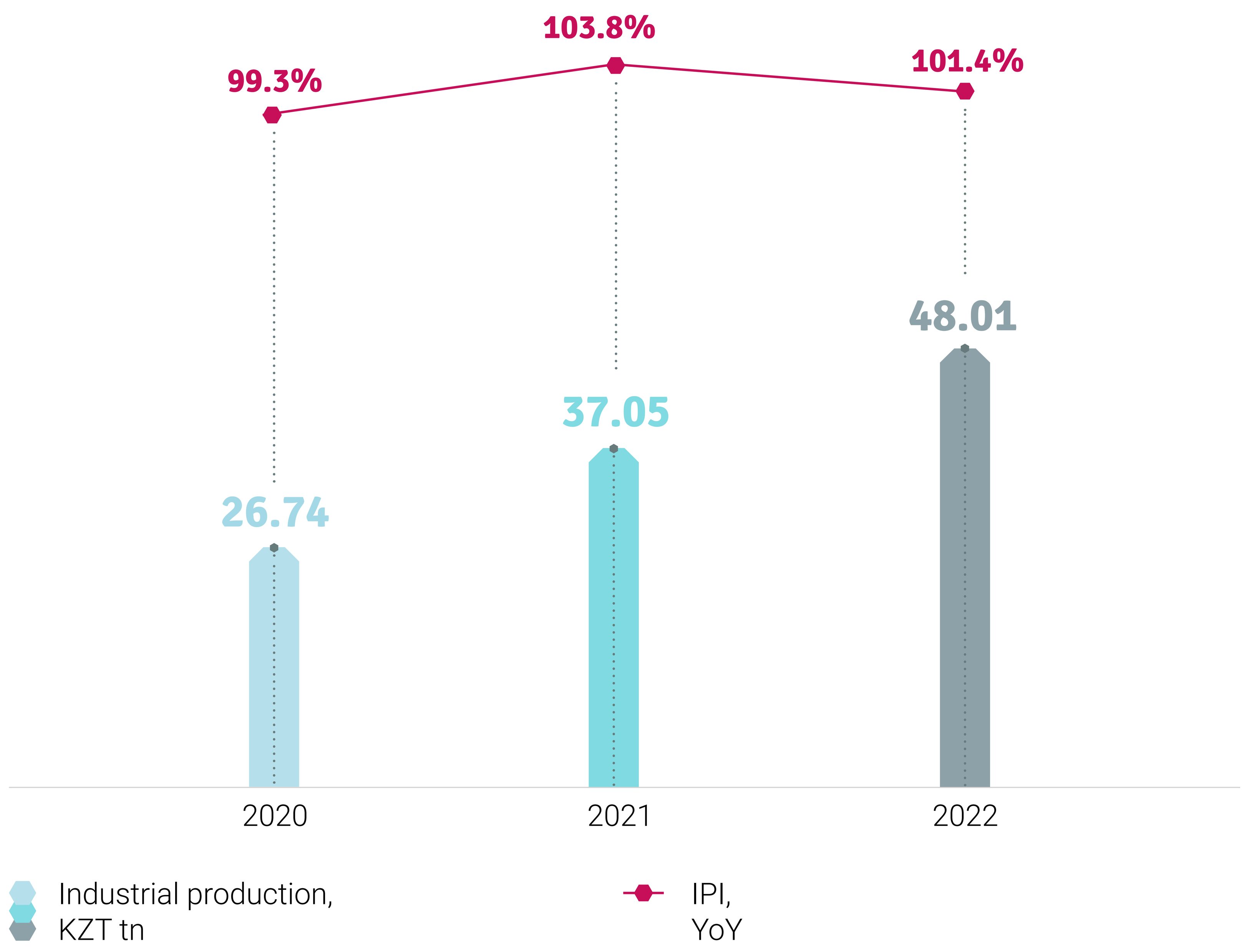


Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)

In 2022, Kazakhstan's GDP increased by KZT 20.2 tn in nominal terms compared to the previous year and amounted to KZT 101.5 tn. The growth of nominal GDP was mainly due to price factors, including the dynamics of global energy prices amidst the introduction of new sanctions against Russia. However, economic growth amounted to 3.2% in real terms, which is 0.8 pp lower than in 2021.

Agriculture *(+9.1%)*, construction *(+9.4%)* and information and communication industries *(+8.0%)* demonstrated the highest growth rates, whereas mining production declined by 1.0% in real terms.

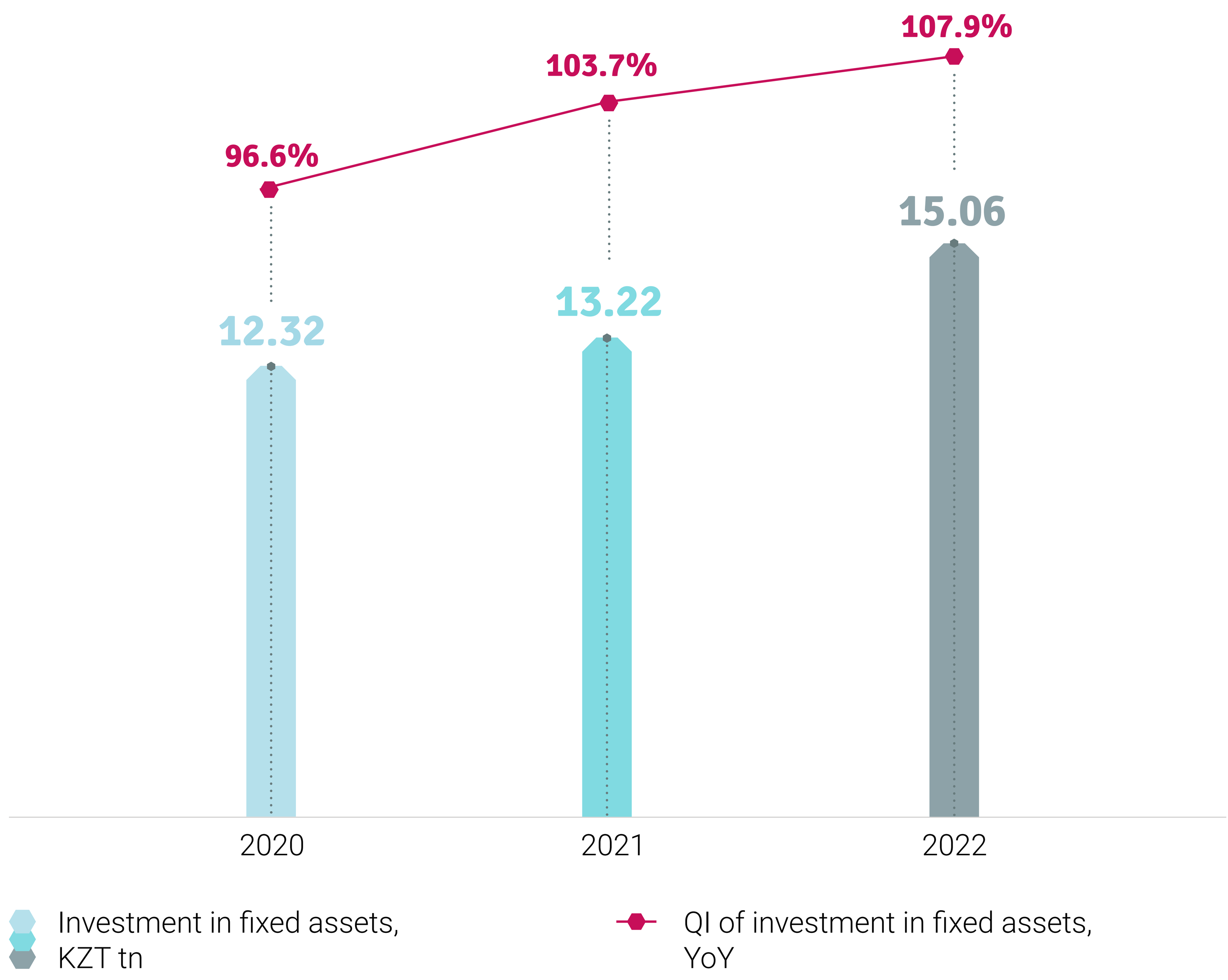
Industrial production



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)

The value of industrial products manufactured in 2022 grew by 29.1% compared to 2021, reaching KZT 48.01 tn. In real terms, the growth in production volumes fell by 2.4 pp compared to the previous year and amounted to 1.4%. Declining growth rates of industrial production in volume terms were mainly due to lower output, including crude oil *(-1.9%)*, natural gas *(-1%)*, coal *(-0.7%)* and iron ore *(-20.6%)*.

Investments in fixed assets



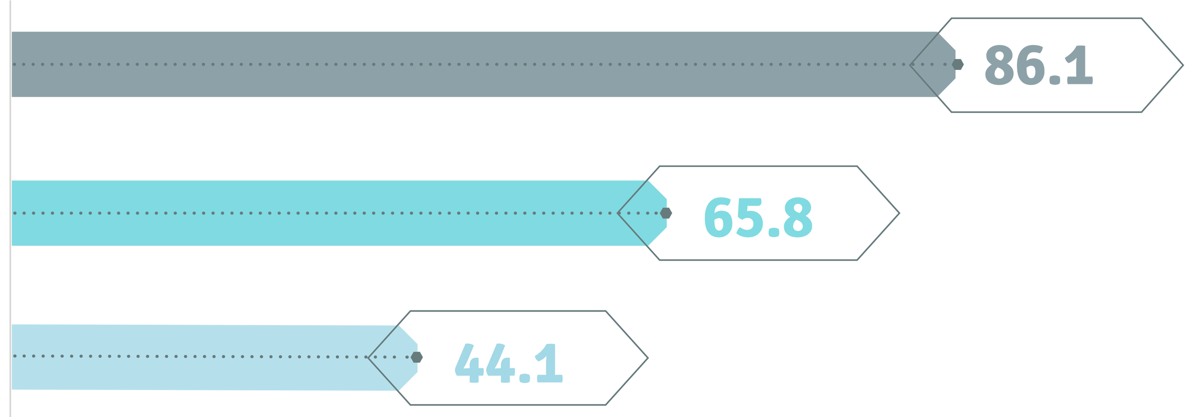
Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)

Despite the economic slowdown due to the unfavorable situation in the foreign policy, there was a slight increase in investing activity in Kazakhstan's economy. **Investments in fixed assets increased by KZT 1.84 tn compared to 2021, reaching KZT 15.06 tn.** The real growth of investments in fixed assets amounted to 7.9%, which is 4.2 pp higher than in 2021.

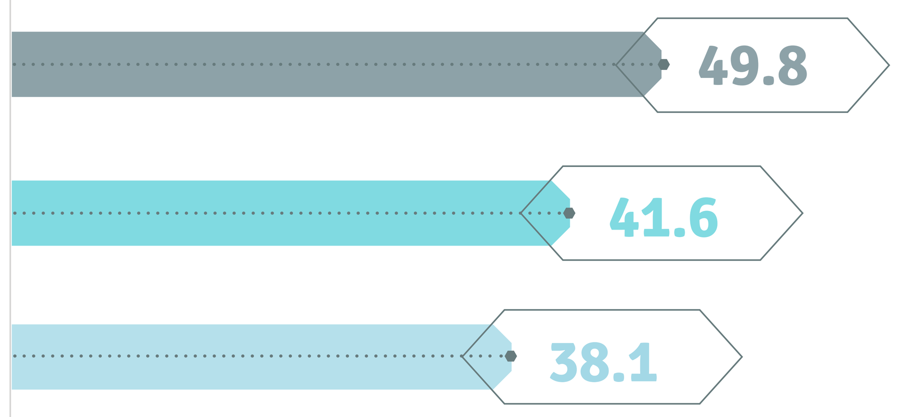
Foreign trade

USD bn for the period

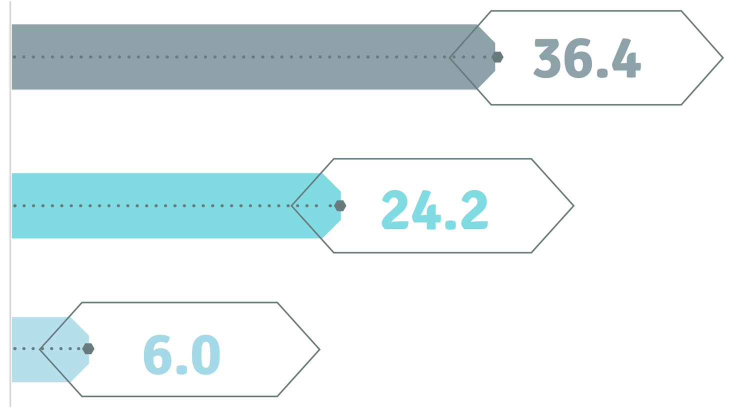
Exports



Imports



Trade balance

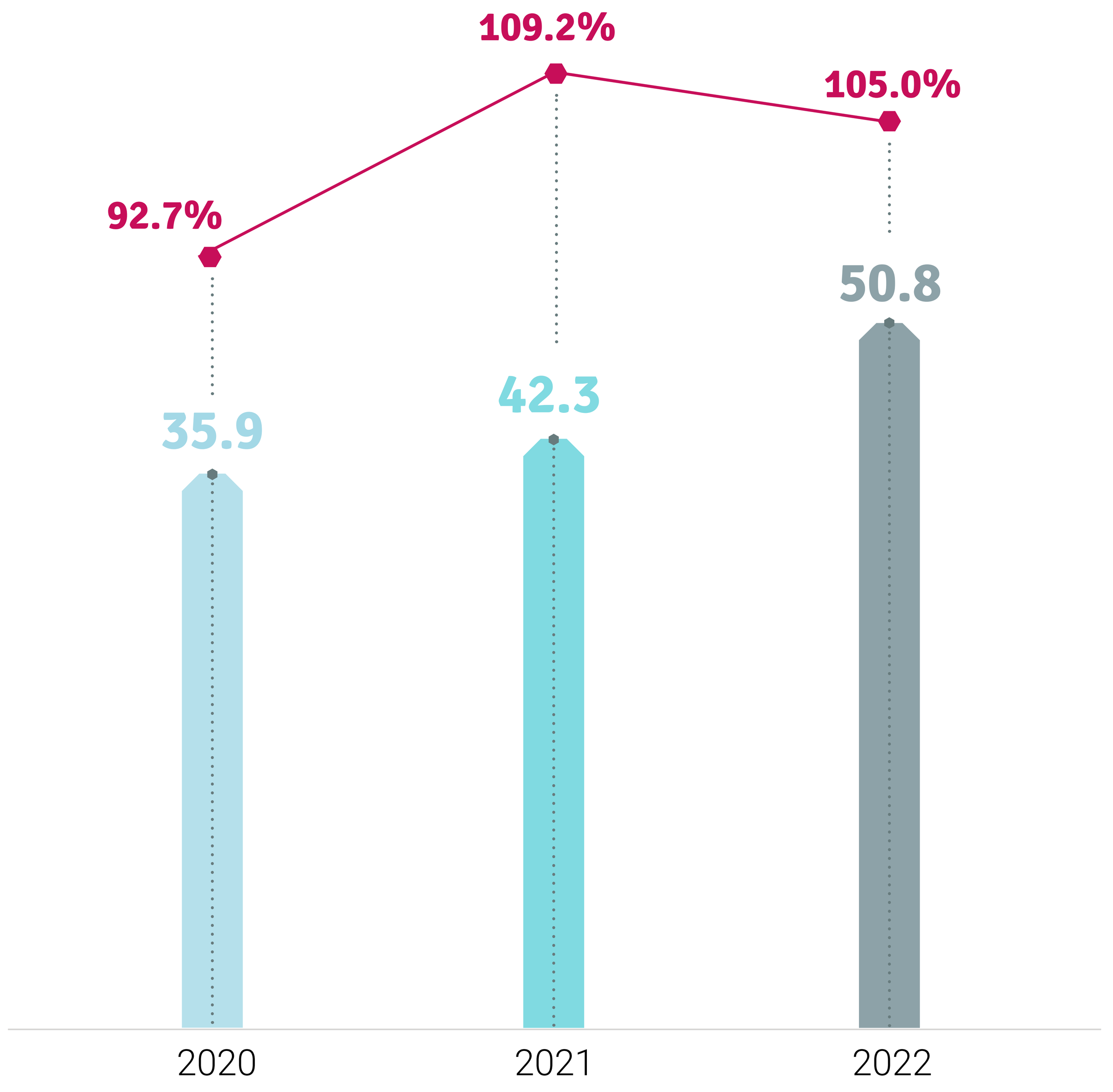


2022 2021 2020

Amid rising global energy prices, **Kazakhstan's exports grew by 30.9% compared to 2021, amounting to USD 86.1 bn,** while imports increased by 19.7% to USD 49.8 bn. Due to stronger export growth versus import, Kazakhstan's trade surplus soared from USD 24.2 bn to 36.4 bn.

Source: National Bank of Kazakhstan

Domestic trade

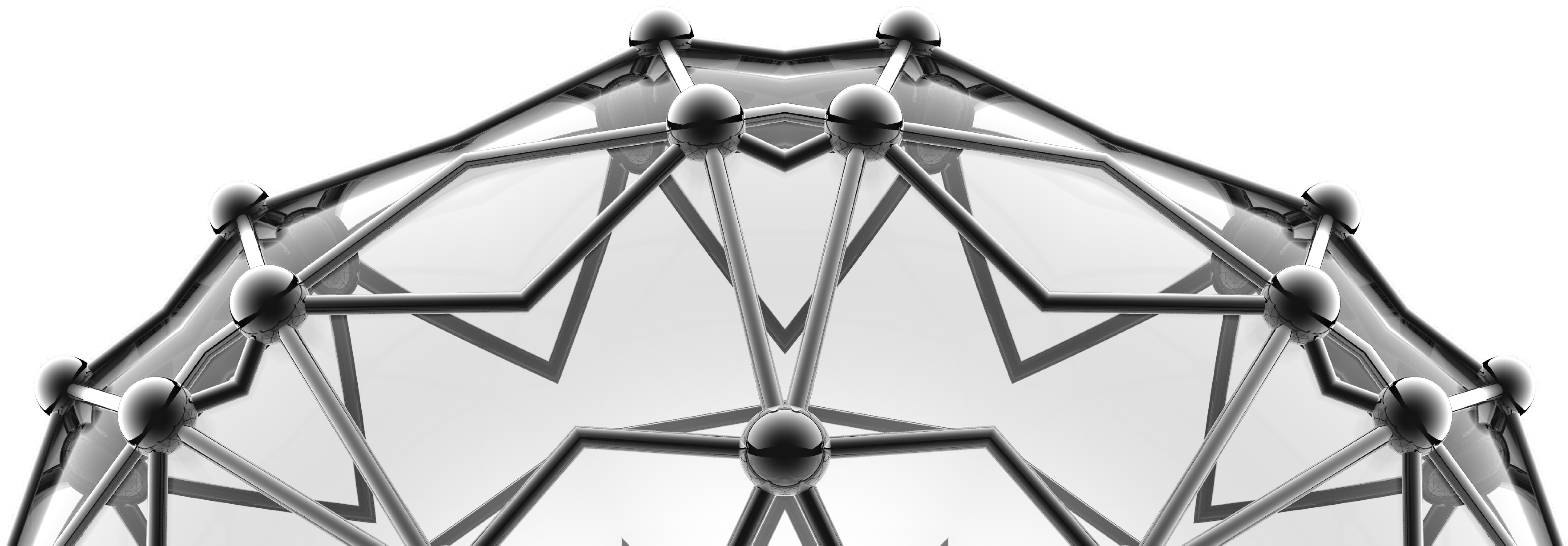


Domestic trade, KZT tn

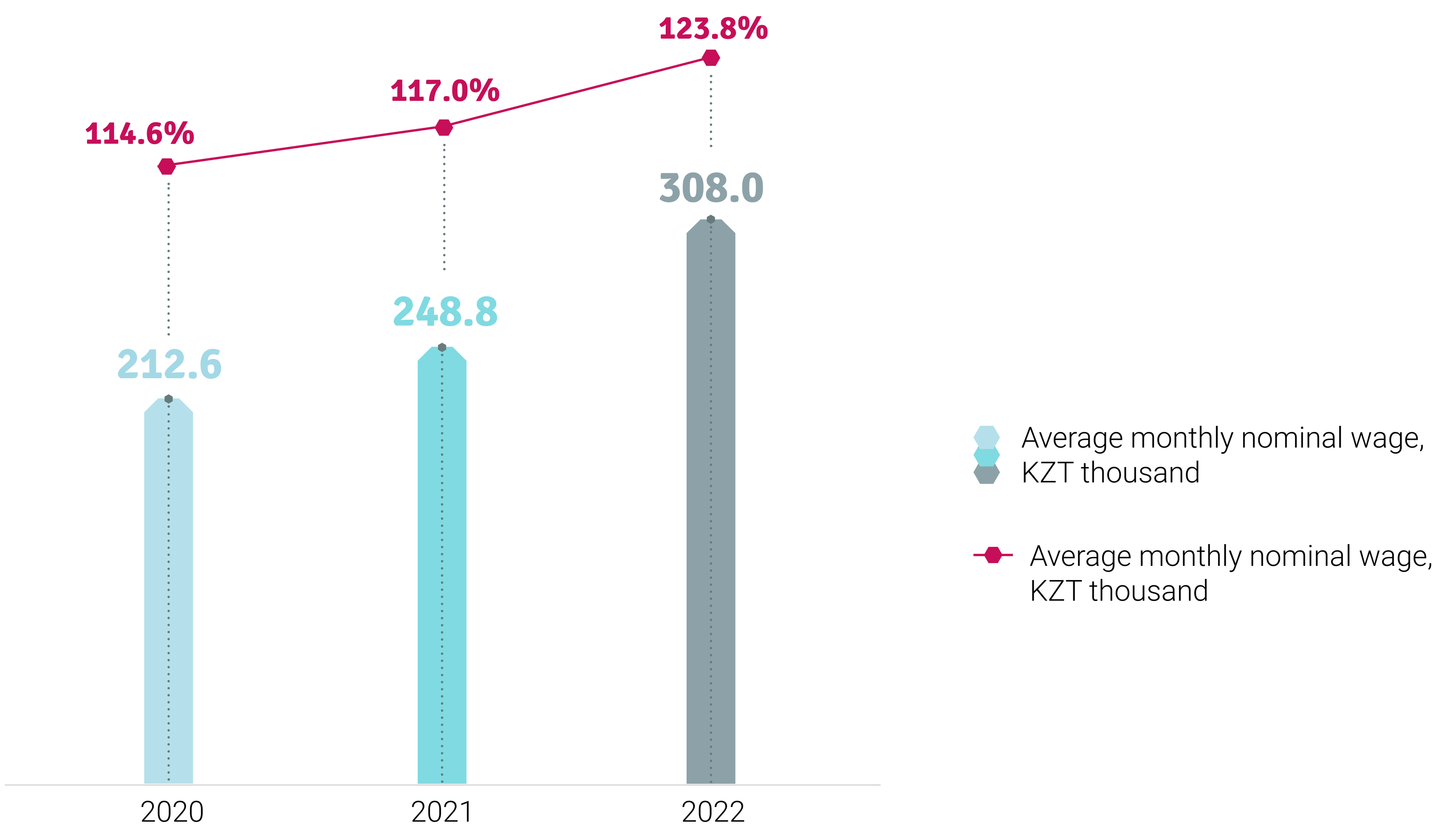
Domestic trade QI, YoY

The total volume of wholesale and retail domestic trade jumped from KZT 42.3 tn in 2021 to KZT 50.8 tn in 2022. At the same time, the QI of domestic trade decreased from 109.2% to 105.0% due to the exhaustion of the "deferred demand effect", which manifested itself in 2021 due to easing of quarantine restrictions.

Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)



Average monthly wage

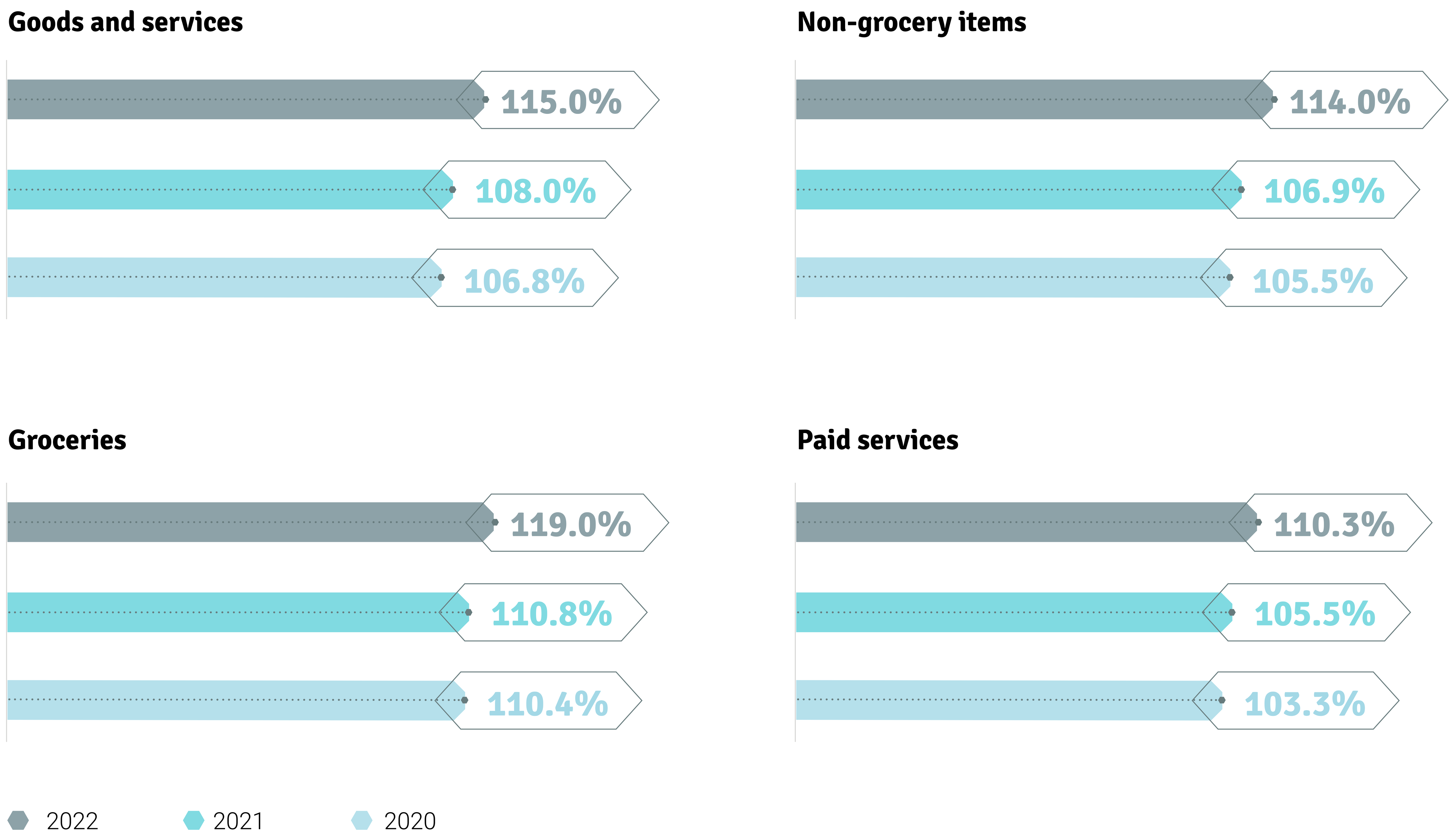


Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)

In 2022, the average monthly nominal wage increased by KZT 59,000 year-on-year and reached KZT 308,000. At the same time, the growth rate of the average wage in real terms amounted to 23.8%, which is 6.8 pp higher than in 2021.

Consumer inflation

price index, % YoY



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (BNS ASPR RK)

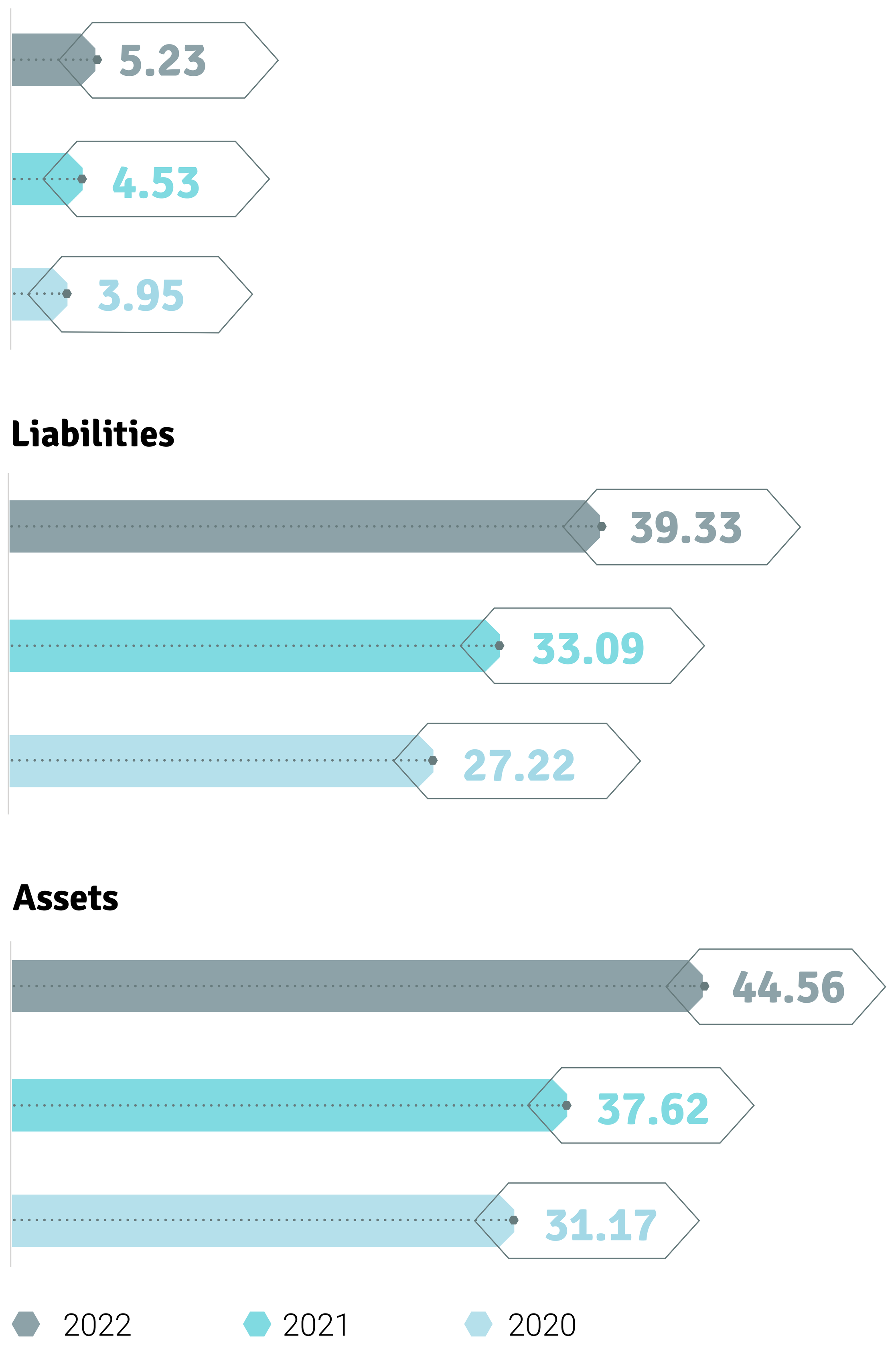
Due to the negative influence of foreign economic factors, 2022 saw significant acceleration in inflationary processes. **From January to December 2022, CPI rose to 115% YoY, representing a historical high for the last 14 years.**

At the same time, grocery prices increased by 19.0%, and prices for non-grocery items and paid services rose by 14.0% and 10.3%, respectively.

BANKING SECTOR OVERVIEW

Assets, liabilities and equity

KZT tn

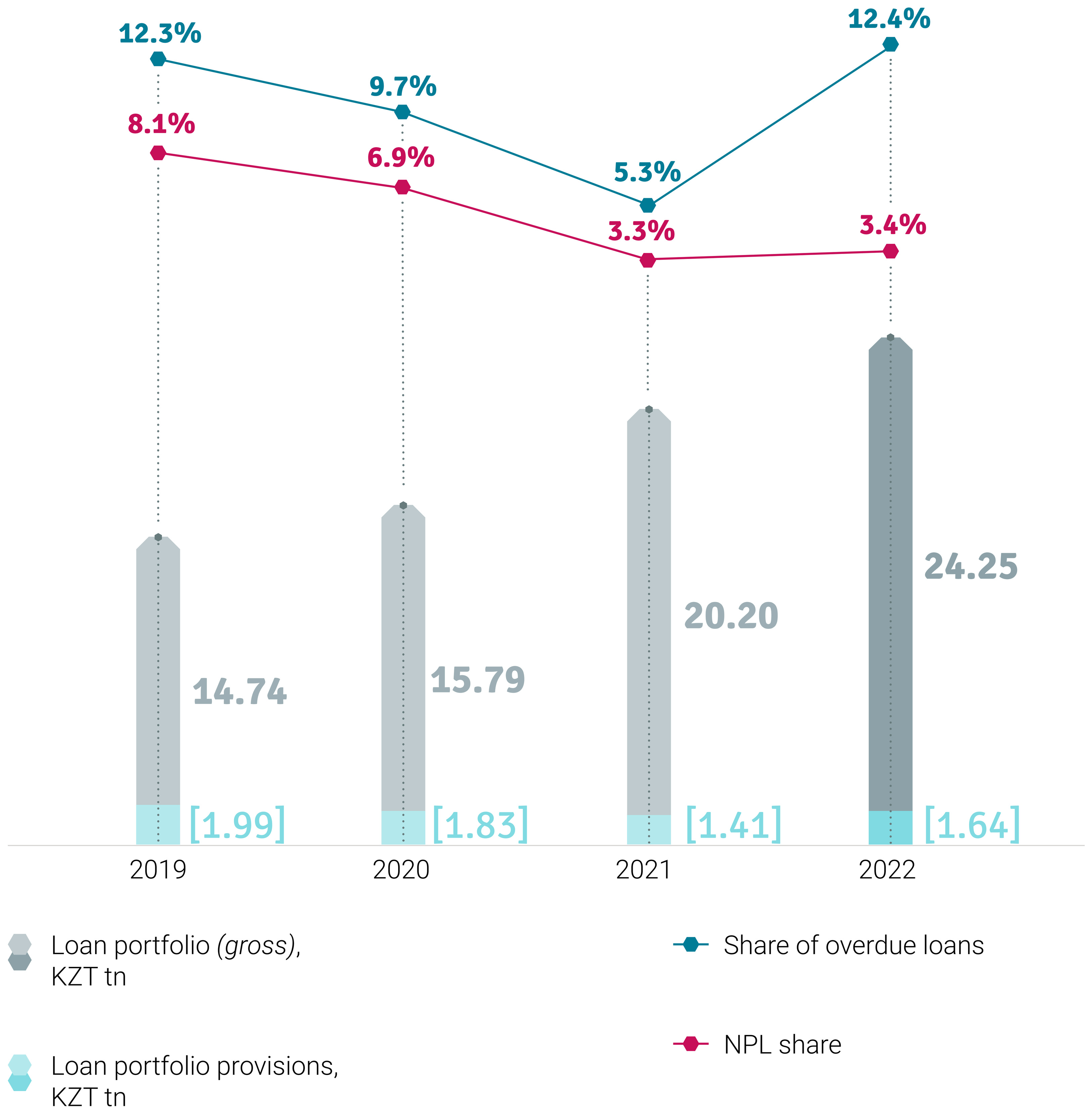


Source: National Bank of Kazakhstan

In 2022, the assets of Kazakhstan's banks grew by 18.4% to reach KZT 44.6 tn, with liabilities and equity increasing by 18.9% and 15.3%, respectively.

In 2022, a bank belonging to Russian owners was sold to a Kazakh investor and subsequently taken over by one of Kazakhstan's banks, which resulted in reduction in the number of players in the banking market from 22 to 21.

Loan portfolio



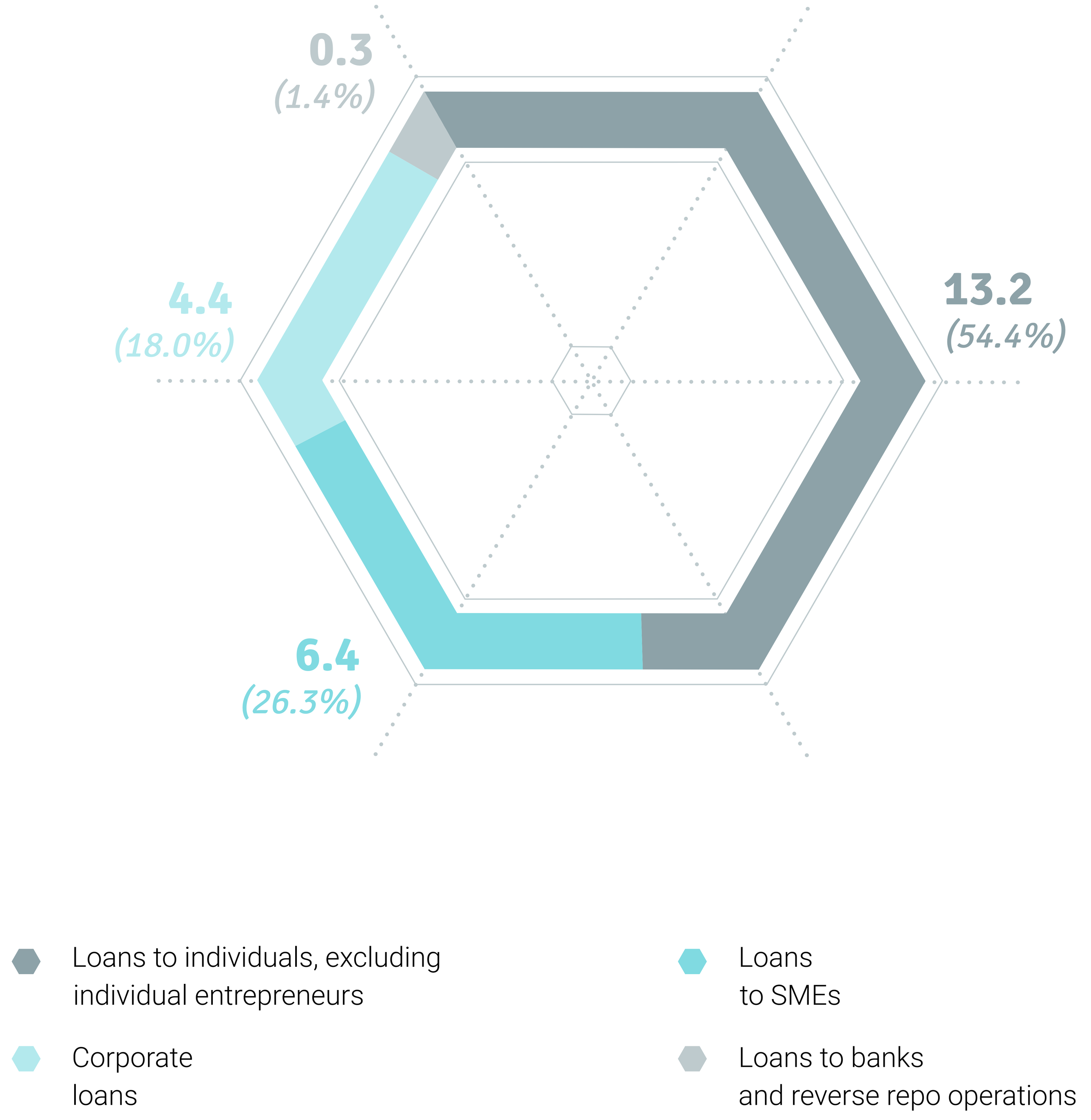
Source: National Bank of Kazakhstan

In 2022, the total loan portfolio of second-tier banks increased by 20.1% and reached KZT 24.3 tn. The NPL share remained almost unchanged, but the share of overdue loans grew from 5.3% to 12.4%.

This surge was due to the fact that the customers of large Russian banks' subsidiaries experienced payment difficulties caused by the imposed sanctions. However, a change of ownership of Sberbank SB, JSC, renamed Bereke Bank, JSC, did not improve the quality of its loan portfolio.

Loan portfolio breakdown

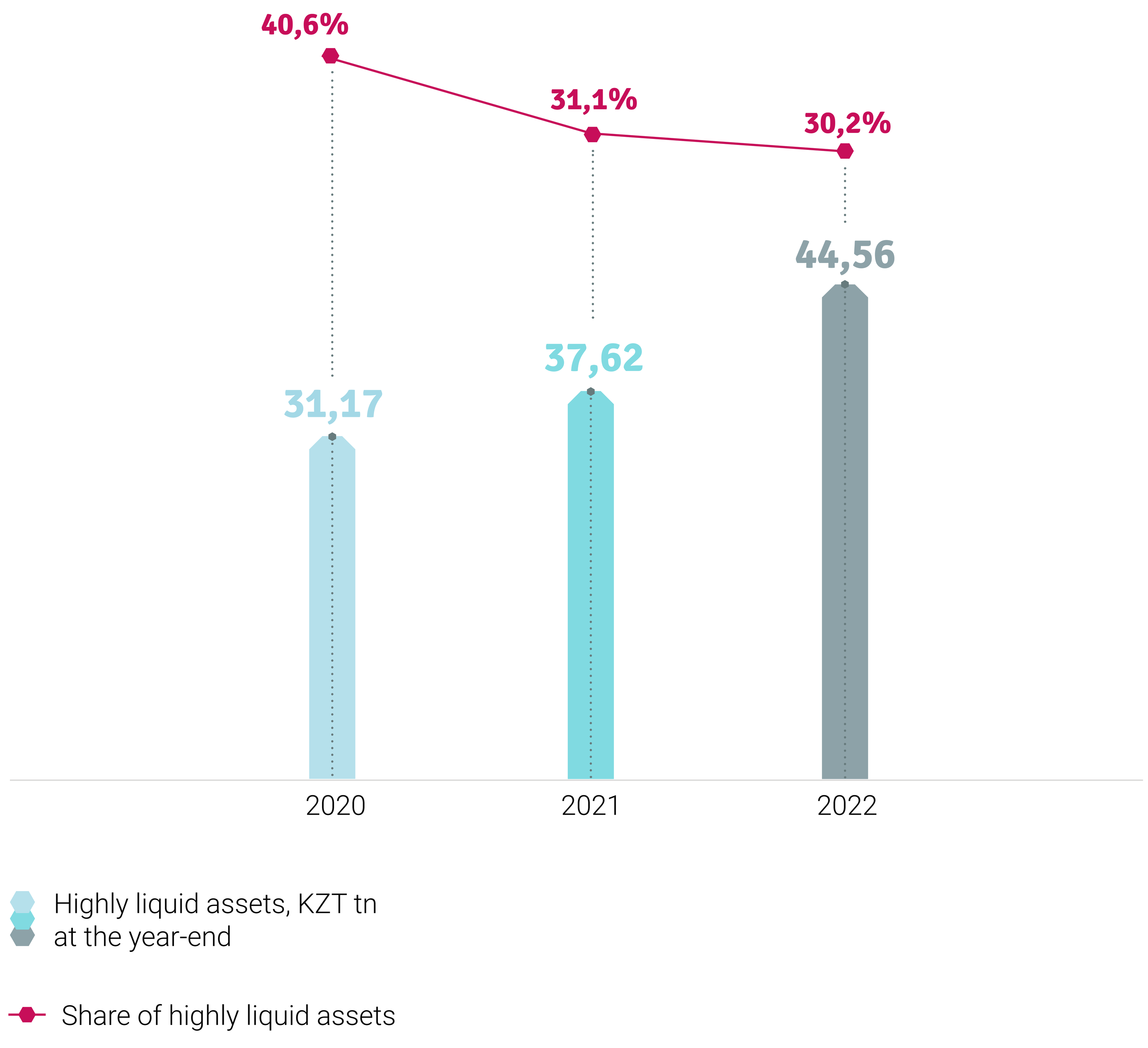
KZT tn at the end of 2022



Source: National Bank of Kazakhstan

The share of loans to individuals in 2022 increased from 49.7% to 54.4%. By contrast, the share of borrowings to SMEs *(including IEs)* decreased from 27.2% to 26.3%, The share of corporate loans reduced from 18.4% to 18.0%. The share of interbank loans and reverse repo operations amounted to 1.4%.

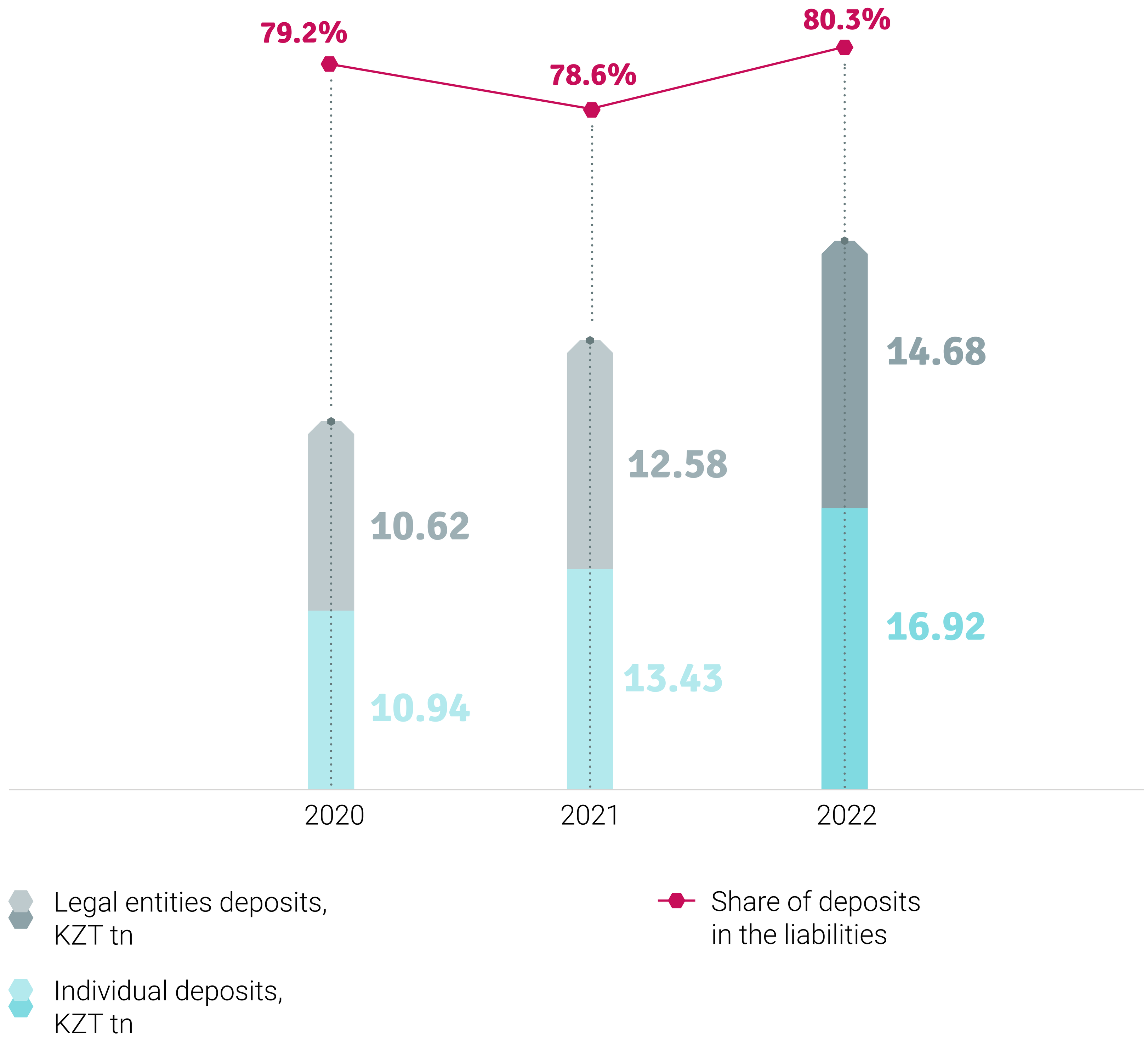
Highly liquid assets



Source: National Bank of Kazakhstan

Highly liquid assets on the entire banking system's balance sheet grew from KZT 37.6 tn in early 2022 to KZT 44.6 tn in late 2022. At the same time, the share of highly liquid assets decreased from 31.1% to 30.2% compared to the loan portfolio share growing from 53.7% to 54.2%, with a tangible increase in liquid assets with a maturity of up to three months. The high liquidity of the banking system is mostly due to the specific monetary policy pursued by the National Bank of Kazakhstan.

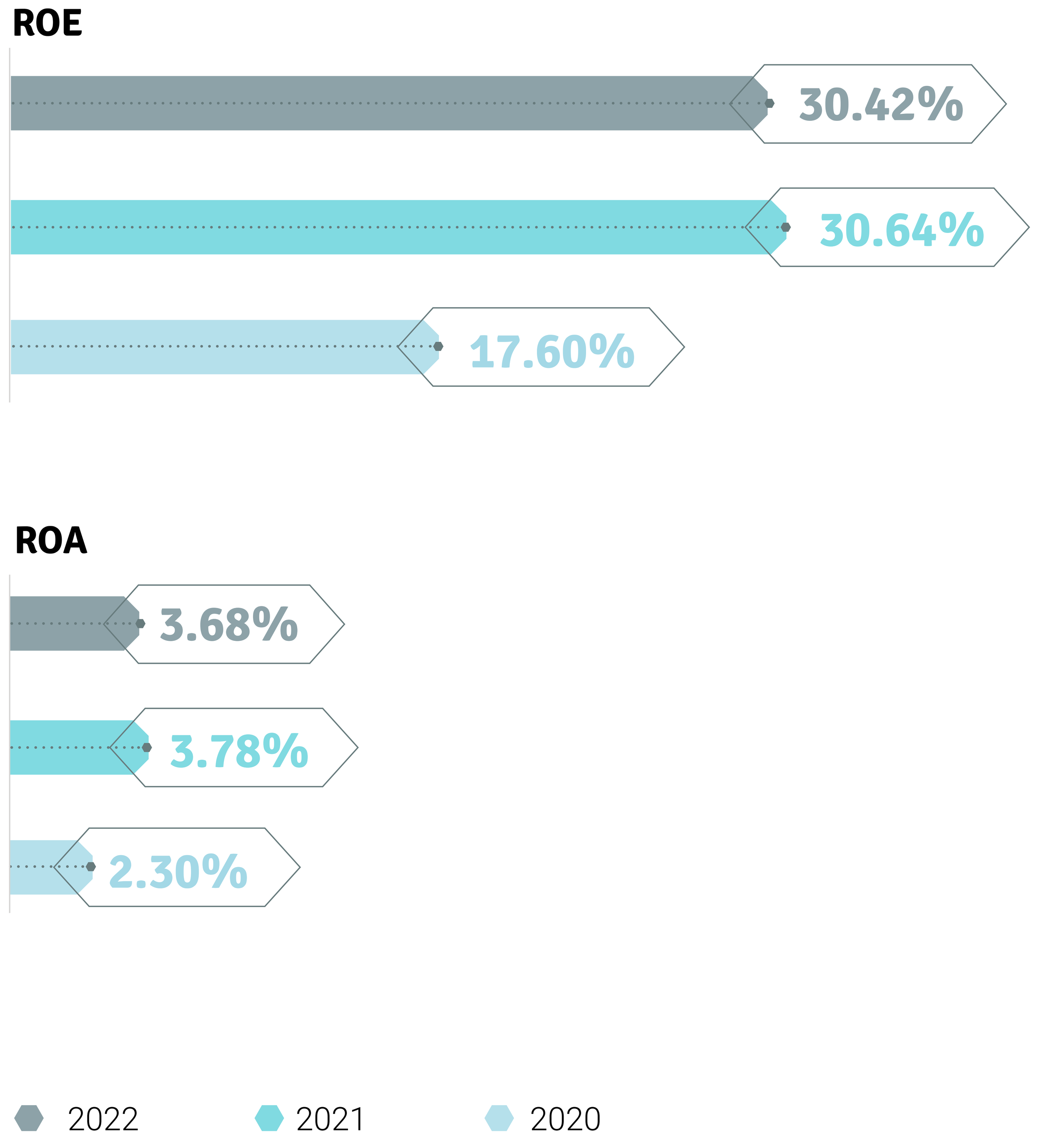
Deposit base



Source: National Bank of Kazakhstan

The primary source of funding for banks is still represented by customer deposits, with the share in total liabilities amounting to 80.3% as of the end of 2022. Deposits of legal entities increased from KZT 12.58 tn to KZT 14.68 tn over the year, while deposits of individuals rose from KZT 13.43 tn to KZT 16.92 tn. At the same time, the share of deposits of individuals in the deposit base grew from 51.6% to 53.6%.

Return rates



Source: Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (AFR)

The return on assets *(ROA)* in the banking sector decreased from 3.8% in 2021 to 3.7% in 2022, while the return on capital *(ROE)* fell from 30.6% to 30.4%. The decline in return was driven by the growth of net non-interest loss from KZT 54.0 bn to KZT 352.3 bn. The outstripping growth in return on assets was due to a slight decrease in the share of equity in the banks' liabilities.

Compliance with prudential regulations

In late 2022, the capitalization of Kazakhstan's banking system fell slightly compared to early 2022. Nevertheless, actual average capital adequacy ratios across the banking system traditionally exceed statutory ones.

Actual liquidity ratios also fell due to a decrease in the share of highly liquid assets in the total assets, but remain above the minimum values set by the regulator.

Overall, in 2022, there were 22 cases of violation of the prudential regulations and currency position limits by Kazakhstan's banks, including those caused by the outflow of funds from the subsidiaries of sanctioned Russian banks.

In particular, the regulator recorded violations of equity capital adequacy ratios *(k1, k1-2, k2)*, maximum risk standards per borrower, current liquidity ratios, foreign currency position, requirements for placing a part of the bank's funds in domestic assets, and net stable funding ratios.

Average capital and liquidity adequacy ratios across the banking system

Indicator	Statutory value	Actual value as of January 1, 2022	Actual value as of January 1, 2023
Capital adequacy ratios			
k1	5.5% *(9.5%)**	19.3%	18.5%
k1-2	6.5% *(10.5%)**	19.3%	18.6%
k2	8% *(12%)**	23.4%	21.7%
Liquidity ratios			
Current ratio *(k4)*	0.3	1.335	1.258
Quick ratio *(k4-1)*	1	4.337	4.037
Quick ratio *(k4-2)*	0.9	3.335	3.438
Quick ratio *(k4-3)*	0.8	2.170	2.618

** Figures in parenthesis are the maximum statutory ratios given the conservation and system buffers. Maximum statutory values apply to systemically important banks.*

Source: Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (AFR)

THE BANK'S OPERATIONAL PERFORMANCE

ForteBank's market share

According to the National Bank of Kazakhstan *(stand-alone data on the banking system)*, in 2022, the Bank's assets grew by 17.4% *(from KZT 2.48 tn to KZT 2.91 tn)*, its loan portfolio increased by 31.8% *(from KZT 967.84 bn to KZT 1.28 tn)*, and its deposit base saw a 16.5% increase *(from KZT 1.76 tn to KZT 2.05 tn)*.

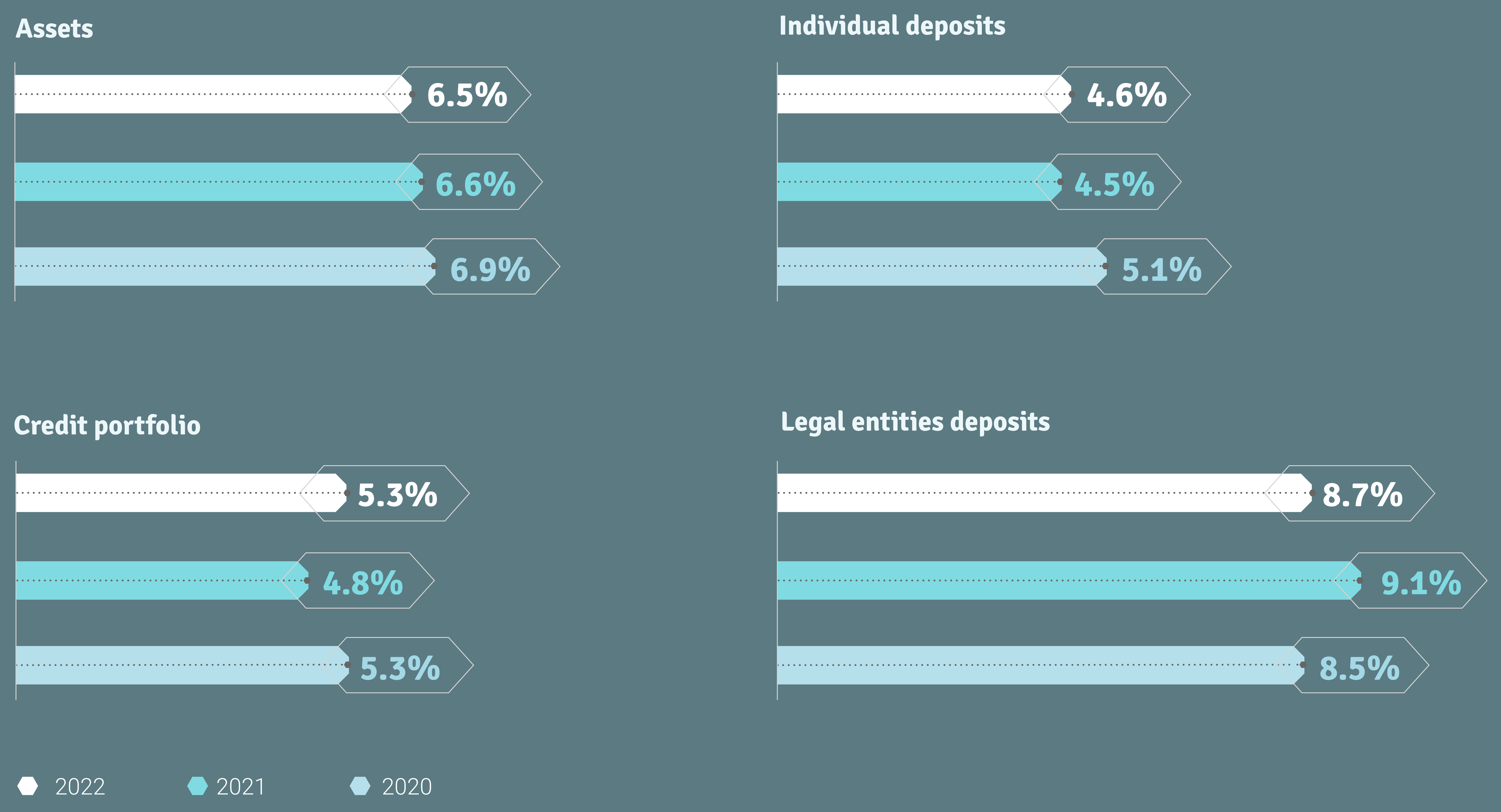
In late 2022, the Bank's share in the banking system's assets amounted to 6.5%, and its share in the total loan portfolio, retail deposit portfolio and in the total deposits of legal entities amounted to 5.3%, 4.6% and 8.7%, respectively.

The growth of the Bank's assets and loan portfolio in 2022 was due to involving creditworthy customers serviced in subsidiaries of Russian banks before their sanctioning.

However, it should be noted that the Bank, as before, continues to adhere to conservative credit policy and moderate risk appetite, not seeking expansion associated with taking unnecessary risks.

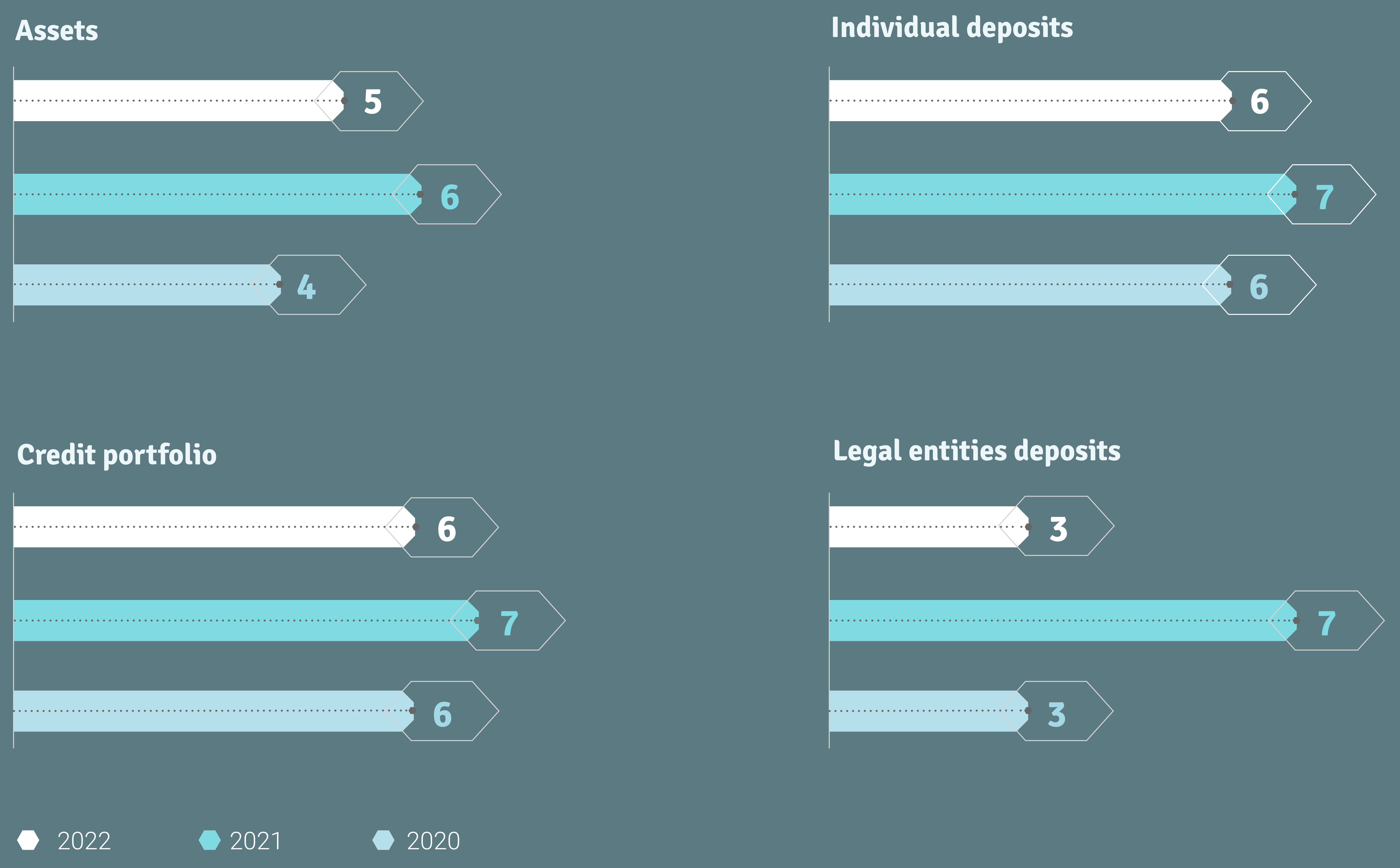
ForteBank's share in the assets, loan portfolio and deposit base of Kazakhstan's banking system

as of the end of period



Source: calculations based on the data of the National Bank of Kazakhstan

ForteBank's rank by assets, loan portfolio and attracted deposits



Source: ranking based on the data of the National Bank of Kazakhstan

Performance in the key lines of business

According to the Bank's consolidated statements under IFRS, its loan portfolio *(net)* increased by 45.1% and reached KZT 1,173.5 bn in 2022.

Drivers of significant loan portfolio growth included withdrawal from Kazakhstan's banking market of Russian banks' subsidiaries, whose customers preferred to become ForteBank customers.

At the end of 2022, Forte corporate loans grew by 102.5%, surging from KZT 188.8 bn to KZT 382.3 bn, while the share of corporate loans in the Bank's loan portfolio increased from 23.3% to 32.6%.

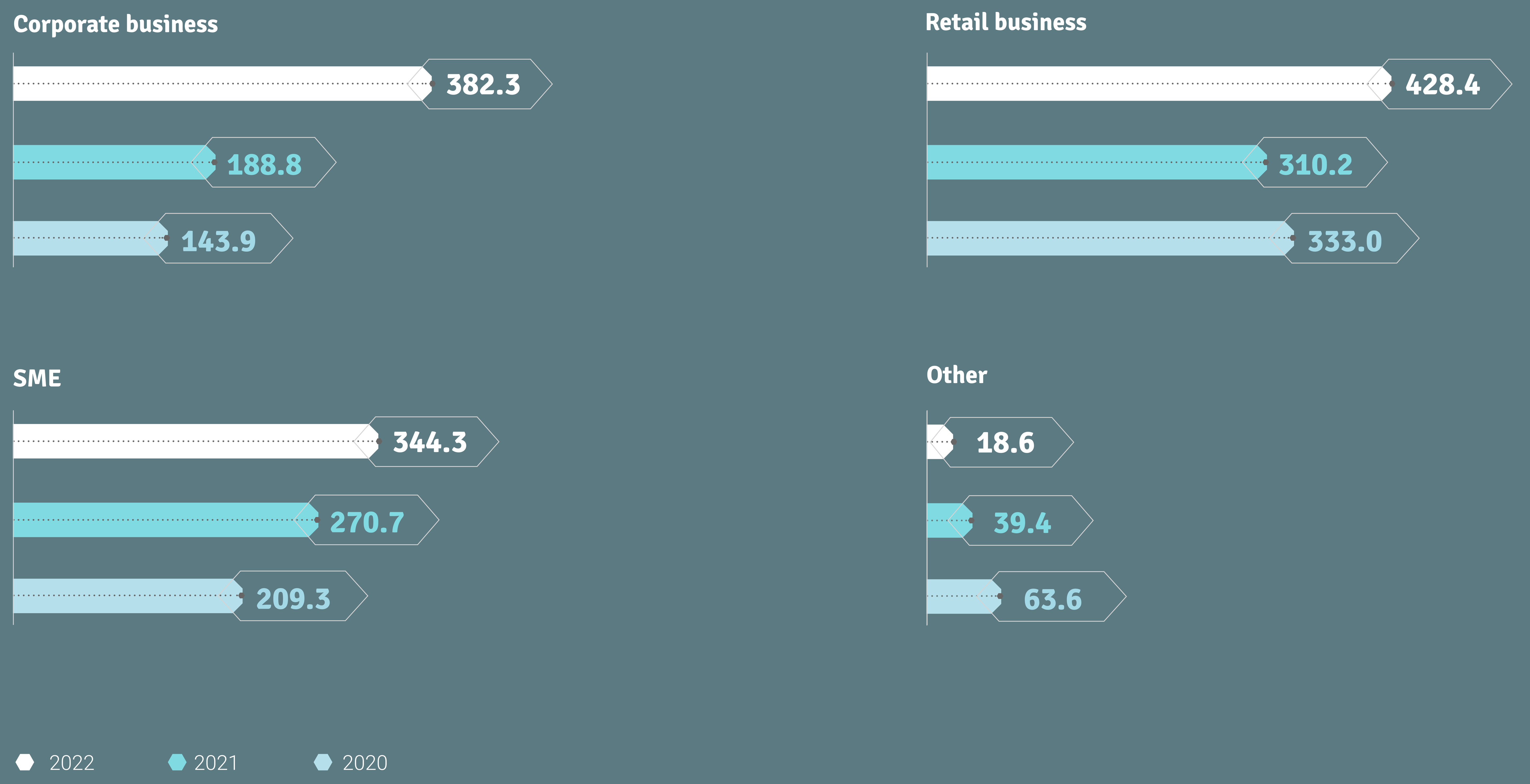
In 2022, the SME loan portfolio grew by 27.2% and reached KZT 344.3 bn by the end of the year, while the share of loans to SMEs in the Bank's total loan portfolio decreased from 33.5% to 29.3%.

In 2022, the retail loans increased by 38.1% and reached KZT 428.4 bn, with its share in the Bank's total loan portfolio also shrinking from 38.3% to 36.5%.

The "Other" segment includes other credit transactions, including loans classified as inherited problem loans and known as "Heritage", with the relevant portfolio formed upon the merger of banks in 2014. These impaired loans are included in Stage 3 and POCI. Since the creation of the "Heritage", there has been a downward trend in inherited problem loans. In 2022, the "Other" segment more than halved compared to 2021 *(and decreased by 72% in 2021 compared to 2020)*.

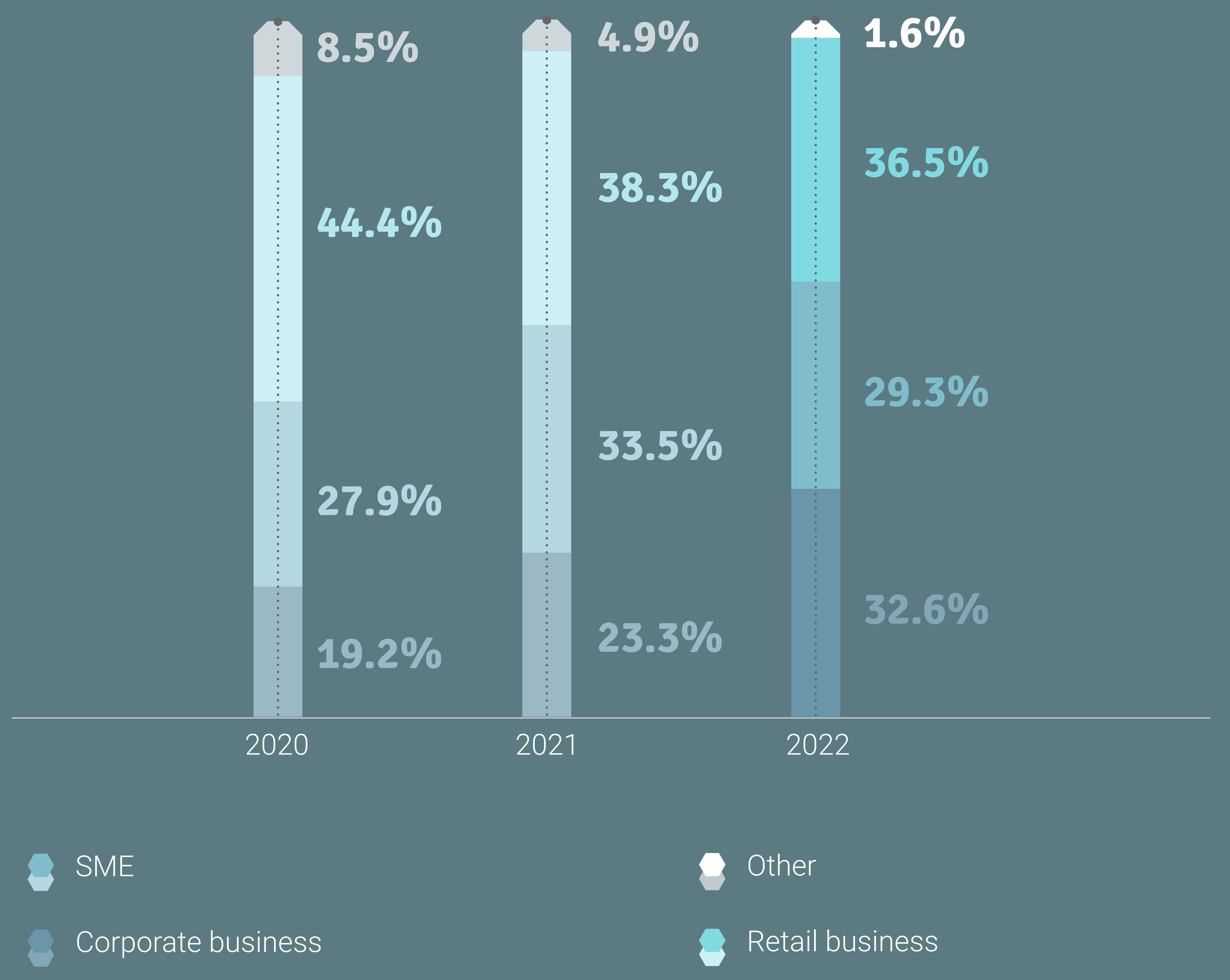
Loan portfolio *(net)* by line of business

KZT bn as of the end of period



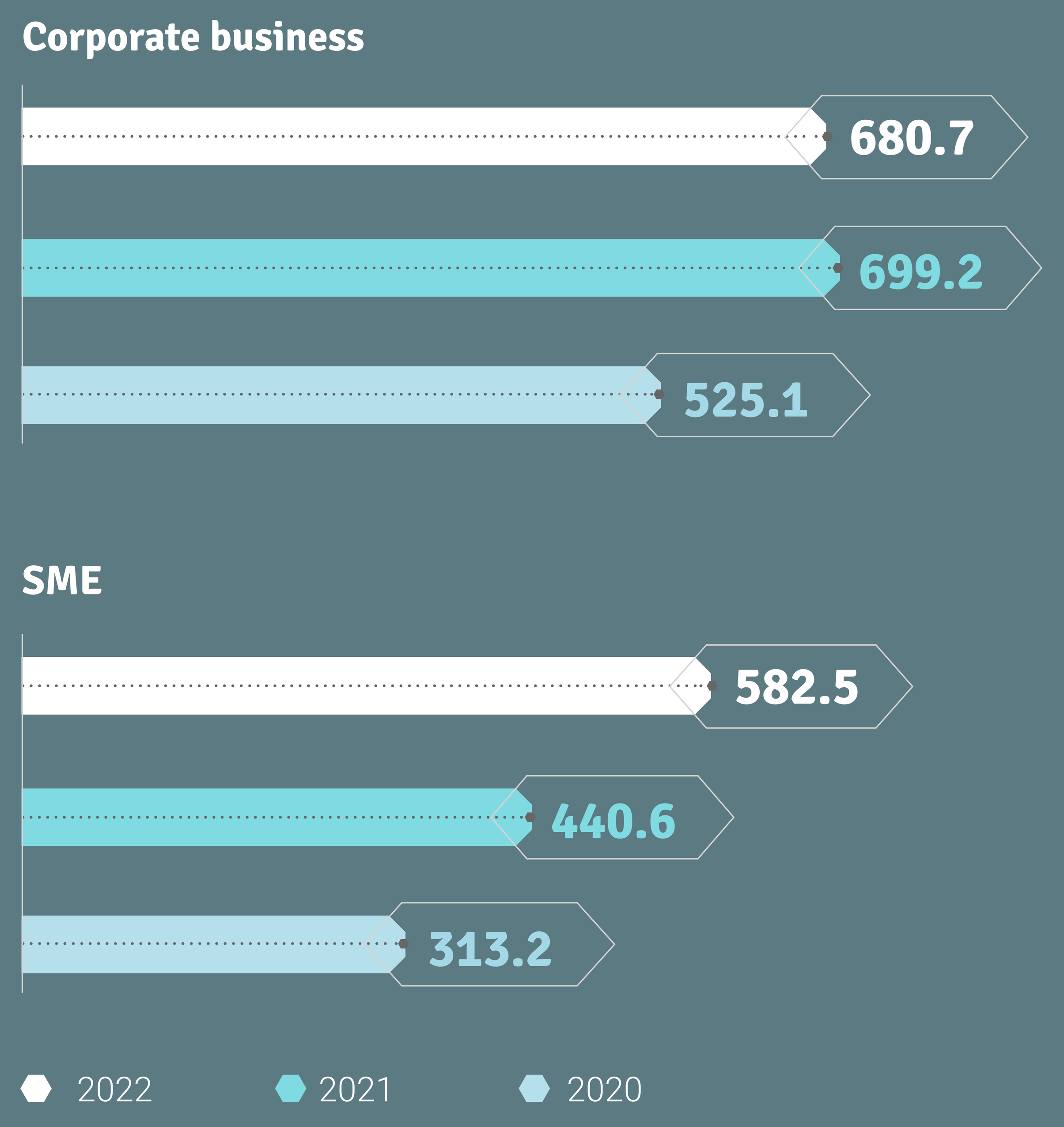
Loan portfolio breakdown by line of business

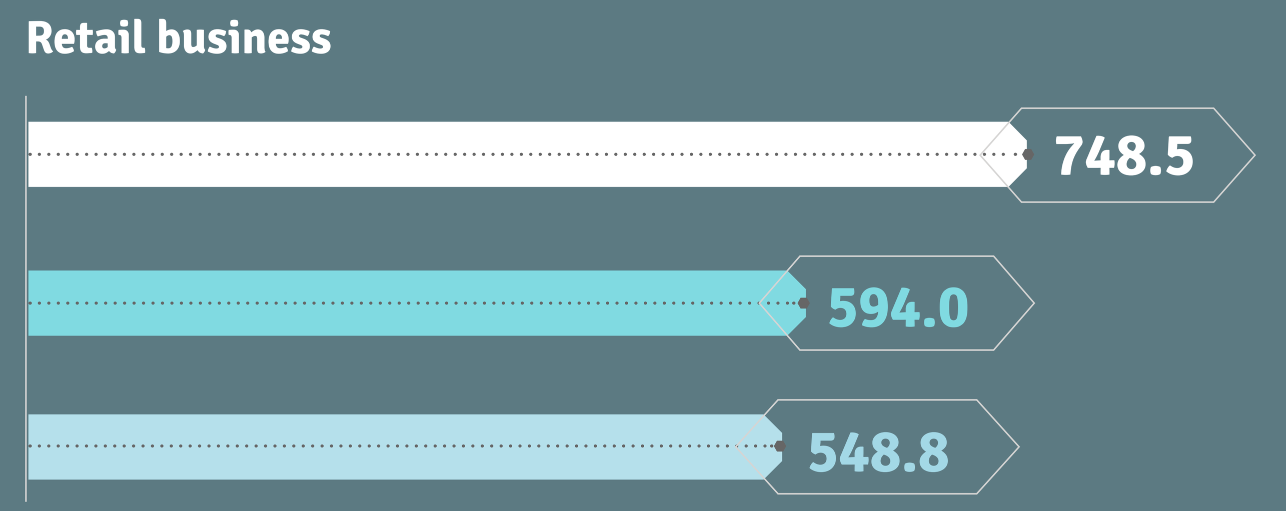
in % as of the end of period



Customer deposits by line of business

KZT bn as of the end of period



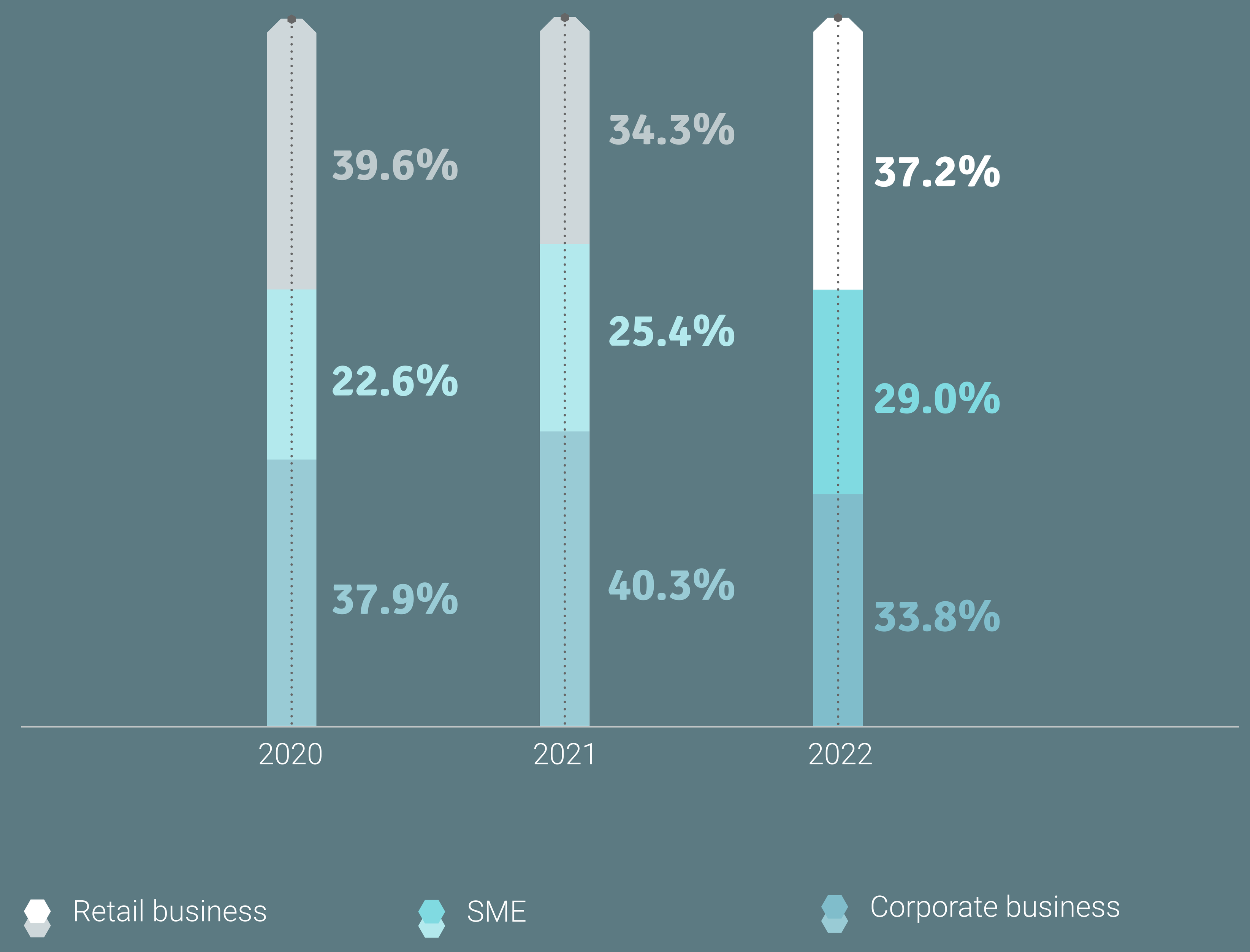


In 2022, the Bank's deposit base grew by 16.0% and reached KZT 2,011.7 bn. Over the year, SME deposits increased by 32.2%, while individual deposits rose by 26.0%, whereas the legal entities deposits decreased by 2.6%.

The share of individual deposits in the Bank's deposit base rose from 34.3% to 37.2%, with the share of SME deposits increasing from 25.4% to 29.0%. At the same time, the share of legal entities deposits shrank from 40.3% to 33.8%.

Breakdown of customer deposits by line of business

in % as of the end of period



Contribution of the key lines of business to the Bank's income as of 2022YE

Показатель		Aggregate value	Retail business	SME	Corporate business	Other*
Net interest income	KZT bn	128.6	67.9	40.4	23.1	(-2.7)
	% to the aggregate value	100.0%	52.8%	31.4%	17.9%	(-2.1%)
Net commission income	KZT bn	24.0	8.3	14.4	1.4	-
	% to the aggregate value	100.0%	34.6%	60.1%	5.6%	-
Net profit after tax	KZT bn	98.1	18.7	45.1	27.9	6.4
	% to the aggregate value	100.0%	19.0%	46.0%	28.5%	6.5%

** The "Other" column includes indicators of investing activities and other operations.*

In 2022, the most profitable business segment was the SME, which accounts for 31.4% of net interest income, 60.1% of net commission income and 46.0% of net profit. The retail and corporate segments account for 19.0% and 28.5% of the Bank's net profit, respectively.

Retail business

Retail business performance

In 2022, net interest income in the retail segment grew by 57.4% compared to 2021 and amounted to KZT 67.9 bn, while net profit more than doubled, surging from KZT 9.1 bn to KZT 18.7 bn.

THE BANK'S RETAIL SEGMENT PERFORMANCE WAS AFFECTED BY THE FOLLOWING EVENTS IN THE BANKING SECTOR:

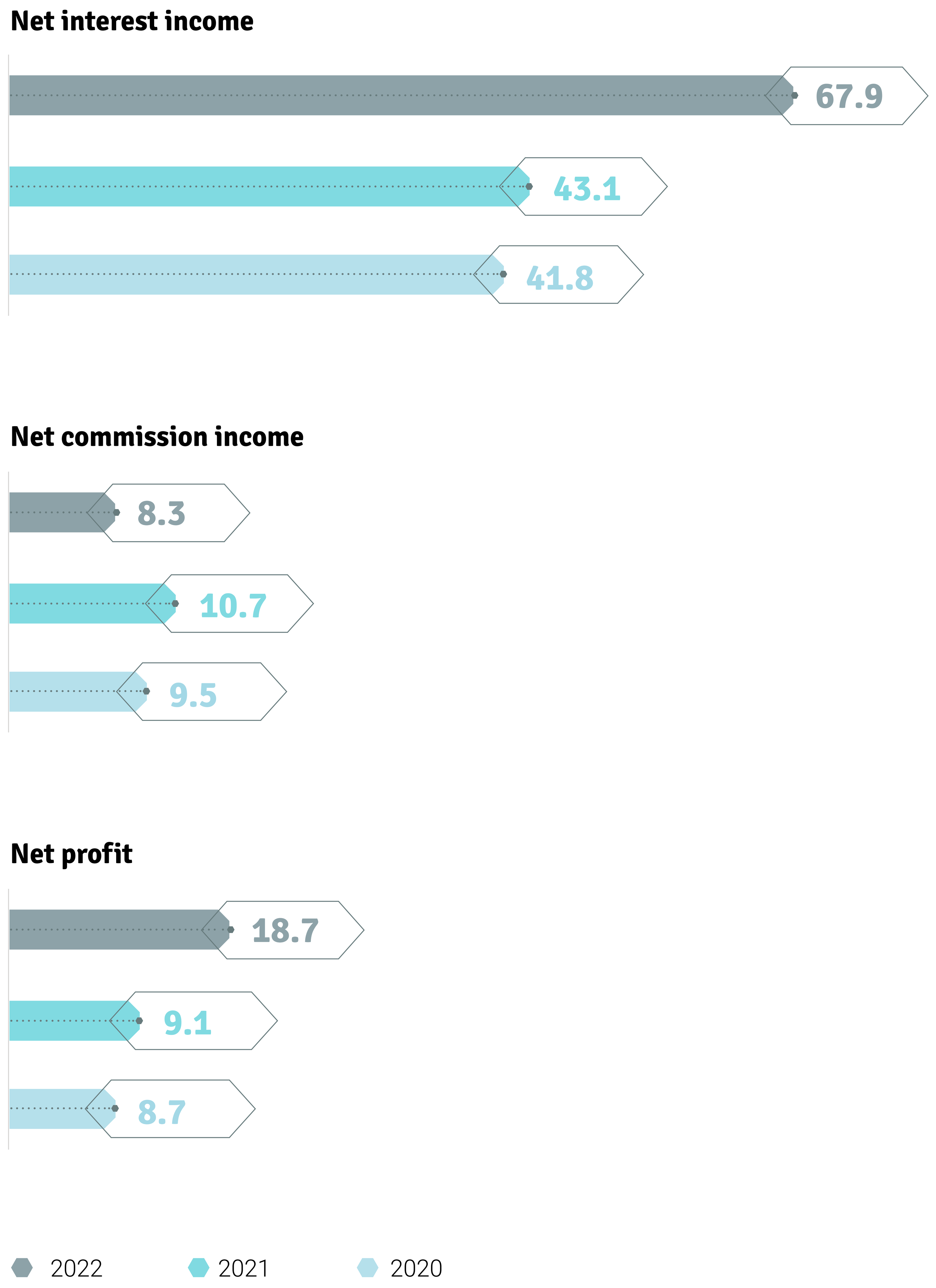
- in 2022, the National Bank of Kazakhstan raised its base rate fivefold in response to growing inflationary pressure, which led to an interest rate increase in Kazakhstan's deposit and credit markets;
- the reduction in the presence of Russian banks in Kazakhstan's market due to the imposed sanctions caused the outflow of customers from their subsidiary banks, which promoted the growth of the Bank's customer base and deposit and loan portfolios.

The total number of individual customers increased by 4% from 1,075,117 to 1,111,700 people, with about 15,000 of them being former customers of Russian banks attracted under new payroll programs. 48% of the Bank's customers are located in four major cities: Almaty, Astana, Shymkent and Ust-Kamenogorsk.

The increased demand for cashless payments and the attractive terms of the Bank's card products promoted issuance of new cards, leading to a 15.9% increase in the number of issued cards in 2022 from 1,594,291 to 1,847,192 cards.

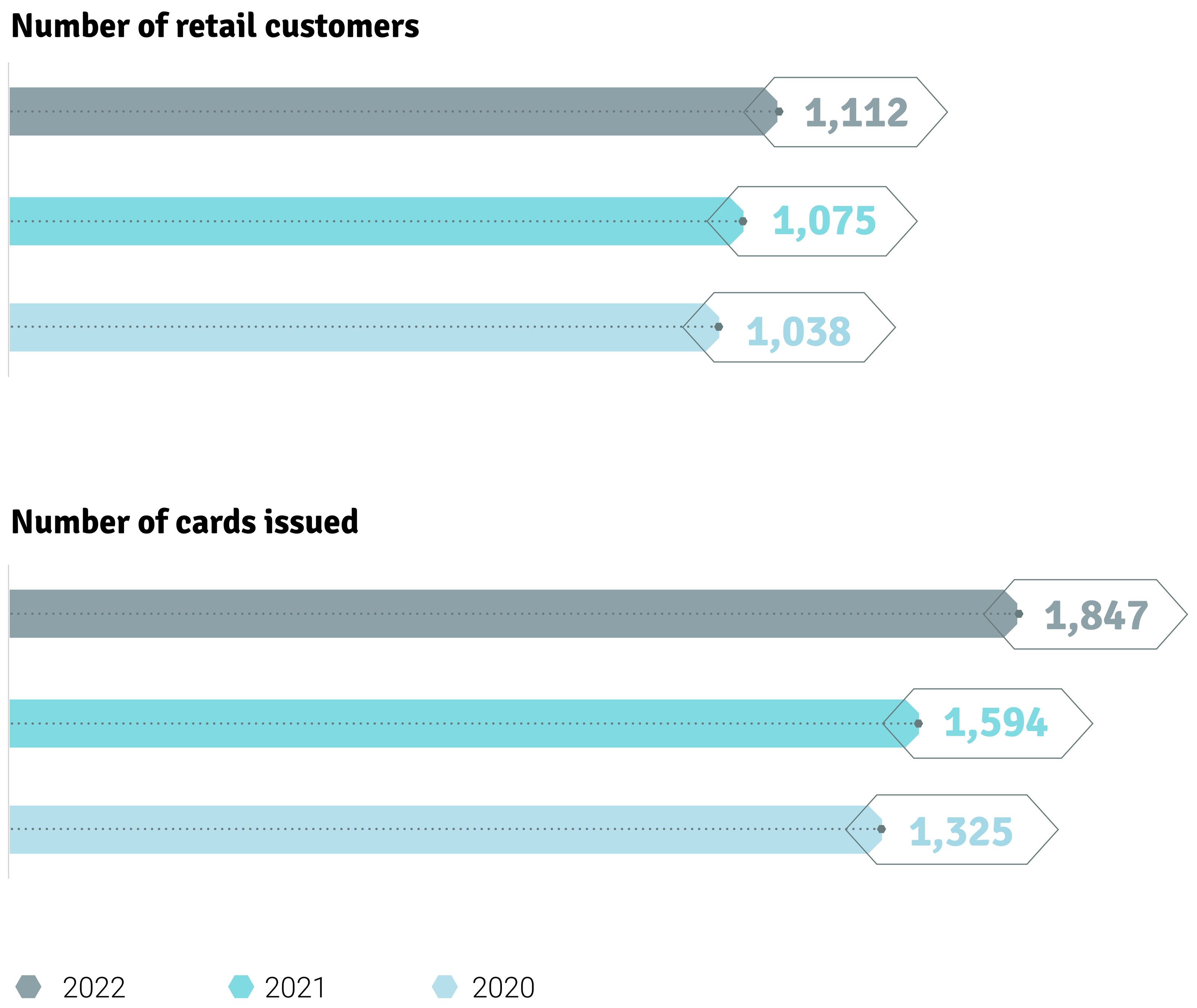
Retail business profitability indicators

KZT bn for the period



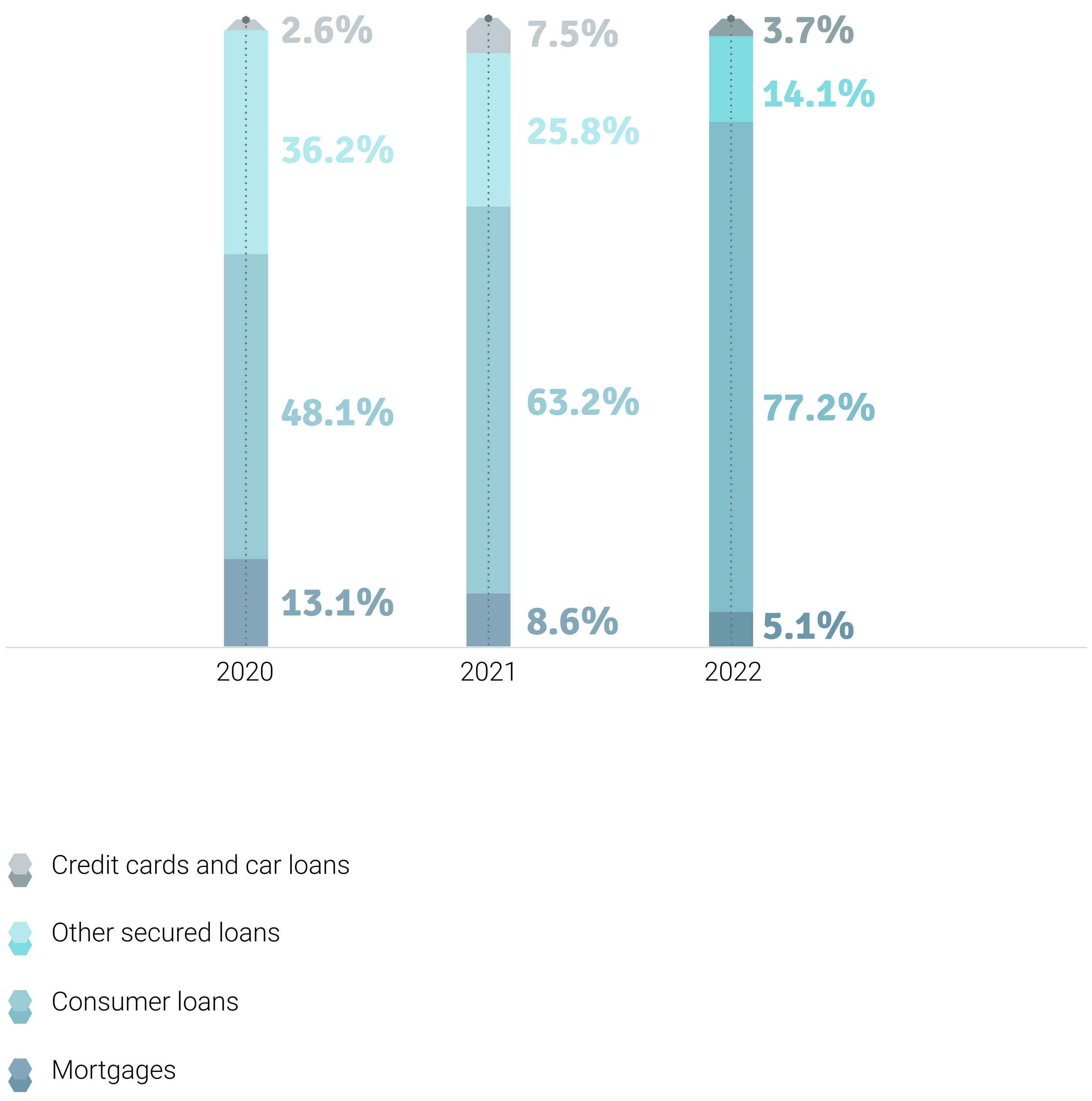
Number of retail business customers and cards issued

thousand as of the end of period



Loan portfolio structure *(retail business)*

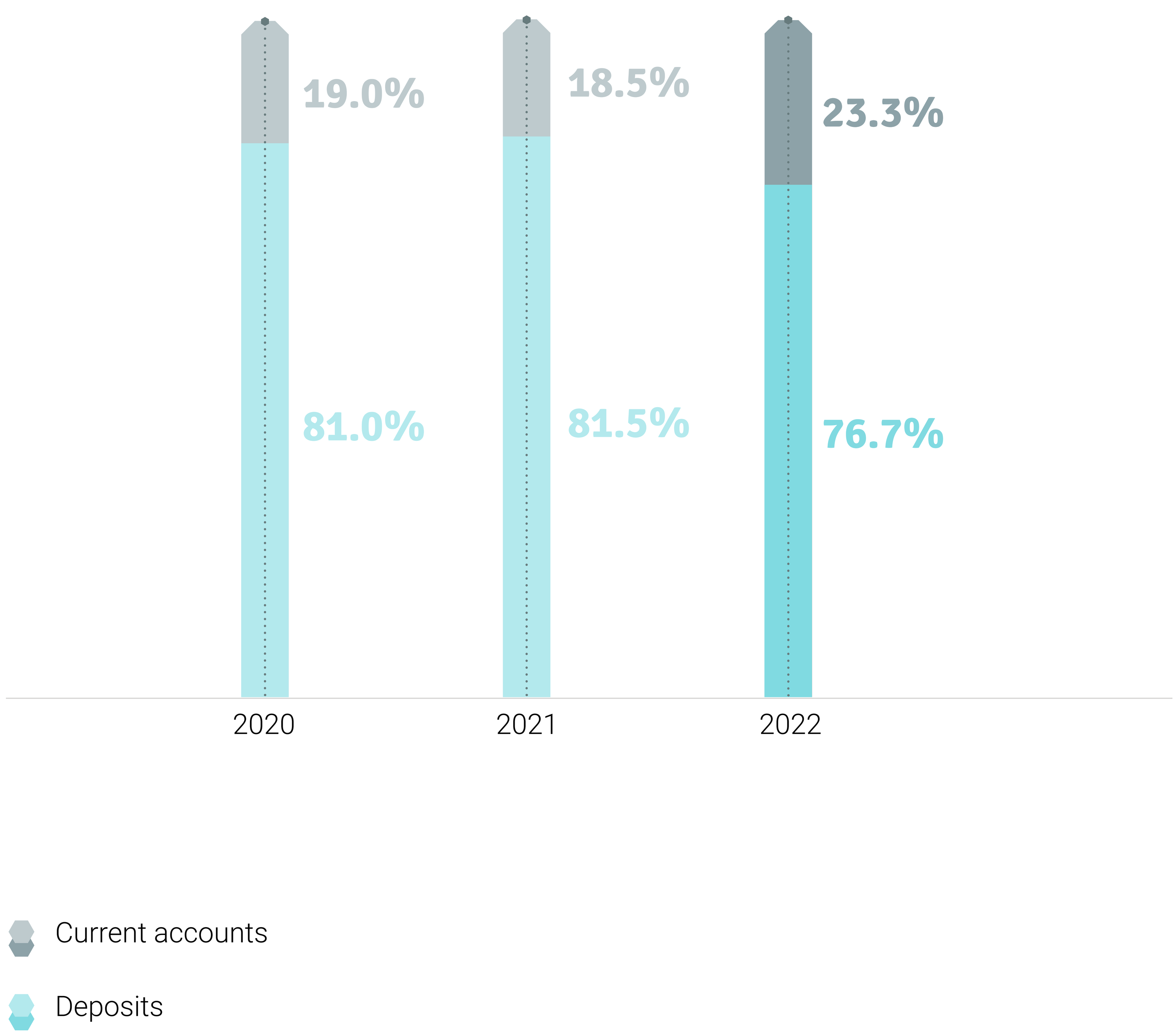
% as of the end of period



The Bank's retail loan portfolio *(net)* grew by 38.1% in 2022 and reached KZT 428.4 bn. The primary growth factor was an increase in unsecured consumer loans by a factor of 1.8.

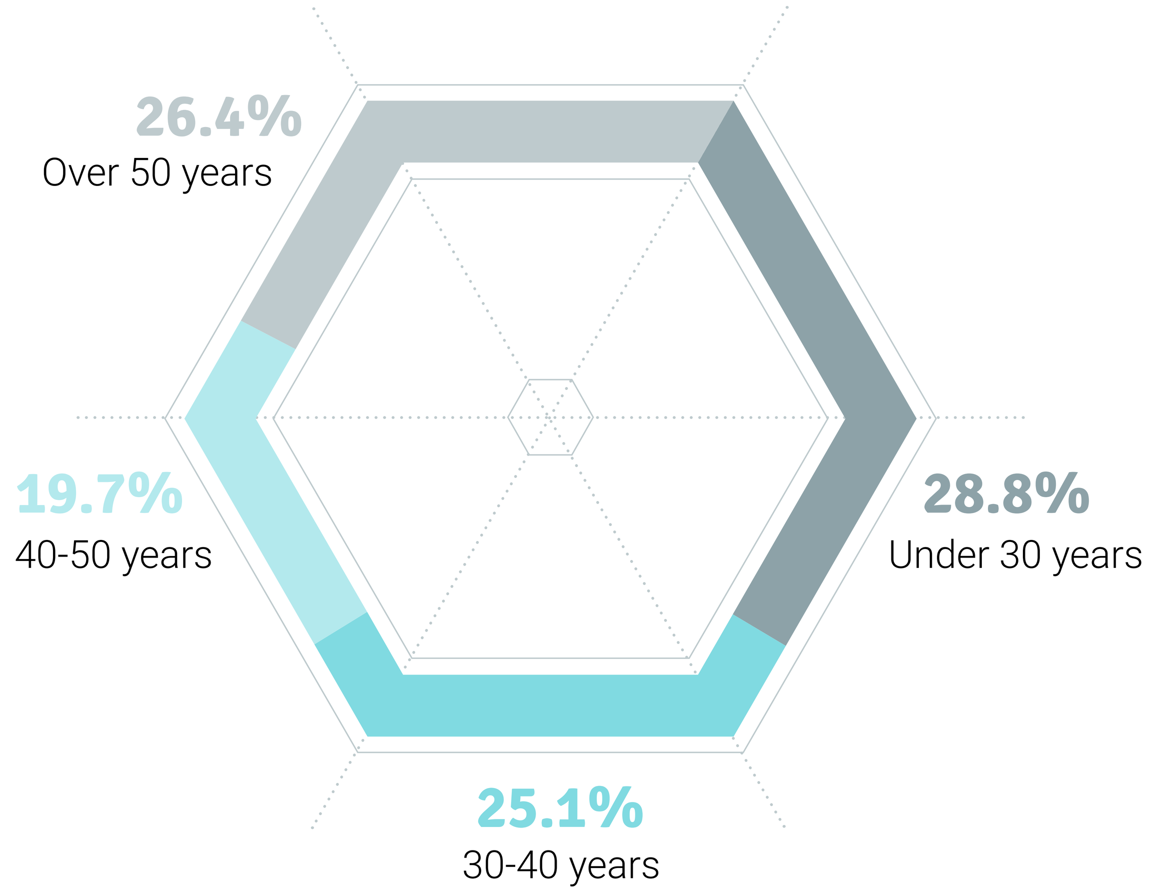
Deposit base structure *(retail business)*

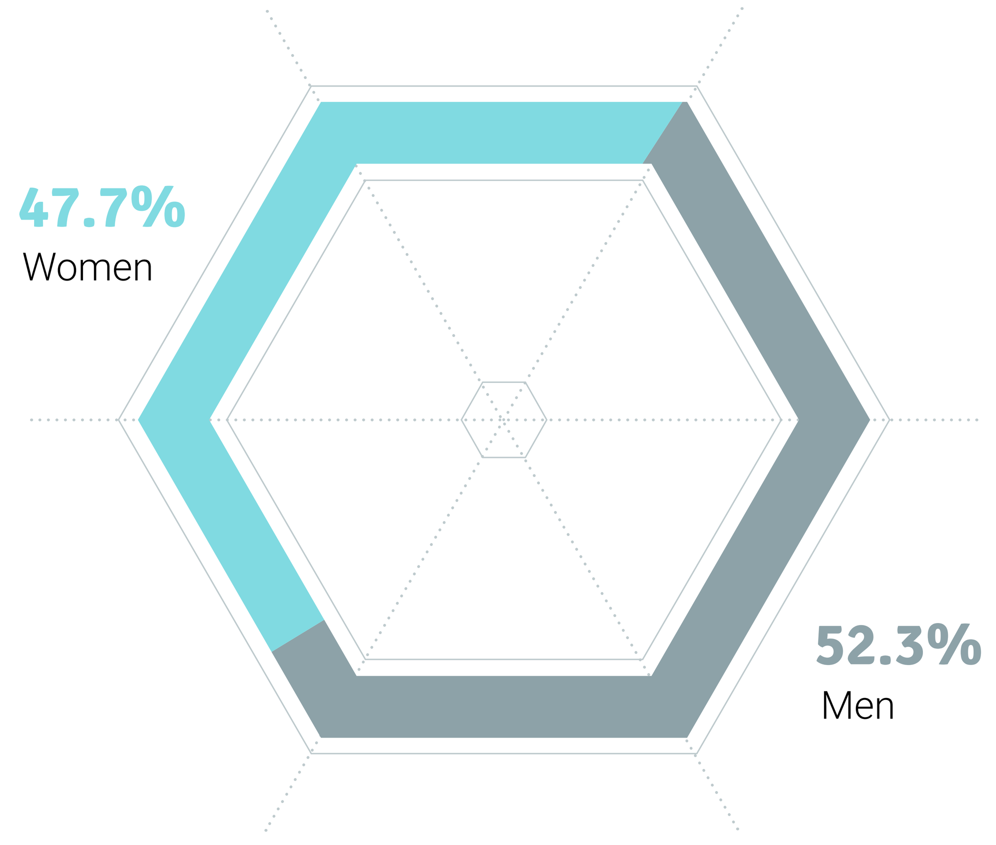
% as of the end of period



The Bank's retail deposit portfolio showed a positive trend, having soared from KZT 594.0 bn to KZT 748.5 bn since early 2022. The general structure of individual deposits did not change significantly, with the largest share belonging to fixed-term deposits that account for 76.7% of the retail deposit base.

Breakdown of the Bank's customers by gender and age as of YE2022





As the Bank strives to make its financial services accessible to different population groups, its retail customer base has a quite balanced structure.

Retail development

In 2022, ForteBank carried on developing its ForteApp mobile application by expanding the app functionality, improving the user interface, performing integration with state services, introducing new partner programs and enhancing fraud protection. The introduction of a pool of additional transactions *(closing card and express loan accounts, issuing certificates on customer request, early loan repayment in part or in full, etc.)* enabled the Bank to significantly optimize labor costs in its branches.

As of the end of 2022, the number of registered users of the mobile application amounted to about 1.8 mln *(with an increase by 756,351 users, or 73% compared to early 2022)*. A positive trend can also be observed in monthly user activity: the number of active users grew to 767,396 *(with an increase by 238,093 users, or 45% compared to early 2022)*.

FORTEAPP BECAME ONE OF THE BANK'S RAPIDLY DEVELOPING SALES CHANNELS IN 2022:

- online transfers in 2022 almost doubled from KZT 1.5 tn to KZT 2.8 tn;
- payments increased by 46.7% from KZT 24.2 bn to KZT 35.5 bn;
- the number of cashless purchases increased by 25% to 30.8 mln transactions;
- the number of contactless purchases doubled and reached 6.3 mln transactions;
- the share of unsecured loans issued online surged from 20% to 86%;
- the share of cards issued via the app grew from 57% to 76%;
- the share of online transfers through Golden Crown system soared from 23% to 58%;
- almost all new deposits of the Bank are opened in the mobile app;
- the number of service providers in the mobile app rose by 32% compared to the beginning of the year and amounted to 2,300 vendors;
- ForteApp's NPS in 2022 was 41%;
- ForteApp has consistently high ratings in mobile app stores: the App Store rating remains at 4.0, the Google Play rating increased from 4.0 to 4.5.

IN 2022, THE BANK LAUNCHED SEVERAL NEW PRODUCTS:

- as part of the Solo premium product range, ForteSolo multi-currency card was launched, enabling transactions in KZT and other currencies *(US dollars, euros, pounds sterling)*;
- Forte's customers were allowed to issue a "children's" card for their minors in the Bank's mobile app;
- together with Technodom chain, a partner lending product was launched for purchases of household appliances and electronics;
- together with Industrial Development Fund, JSC, the Bank launched car lending as part of a preferential program;
- a new Car Loan product was approved under the Bank's own program;
- the Bank changed the terms of secured loans under the Urgent Needs program;
- the Bank changed the terms of customers' savings and deposits, including lowering the minimum balance to KZT 1,000;
- ForteBank's customers became the first in the country to make instant money transfers to UnionPay cards in Kazakhstan and abroad;
- ForteBank's customers got the opportunity to make international transfers via SWIFT and domestic transfers via the instant payments system of the National Bank of Kazakhstan in the mobile app.

SME and corporate business

In the reporting year, net interest income in the SME segment increased by 61.5% and reached KZT 40.4 bn. Net commission income grew from KZT 10.8 bn to KZT 14.4 bn, and net profit increased from KZT 27.2 bn to KZT 45.1 bn.

The income in the corporate business also increased significantly: net interest income rose from KZT 13.0 bn to KZT 23.0 bn, while net profit increased from KZT 13.6 bn to KZT 27.9 bn.

As of the end of the year, the portfolio of corporate loans grew by 102.5%, surging from KZT 188.8 bn to KZT 382.3 bn, while the SME loan portfolio increased by 27.2% and reached KZT 344.3 bn.

The increase in portfolios and income in both segments is largely due to a changein the structure of the banking market due to the reduced presence of the Russian players. For instance, the Bank's new borrowers included both companies with public ownership and large private businesses.

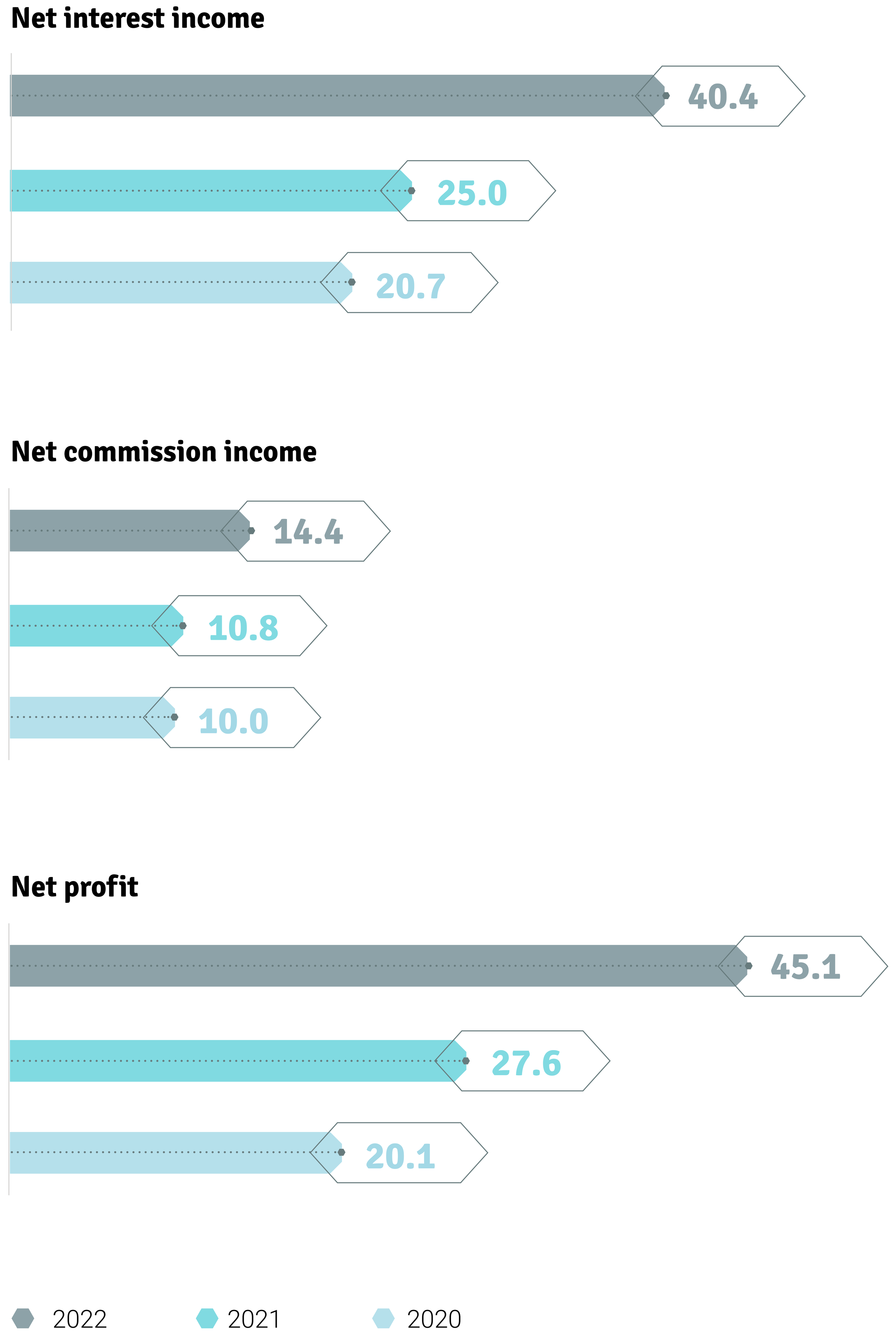
61.5%

Growth of net interest income in the SME segment

It is also worth noting that the Bank is winning more trust with customers from small and medium-sized enterprises: according to a study by SME Banking Club international association, ForteBank was included in the top three banks in Kazakhstan by quality of SME operations.

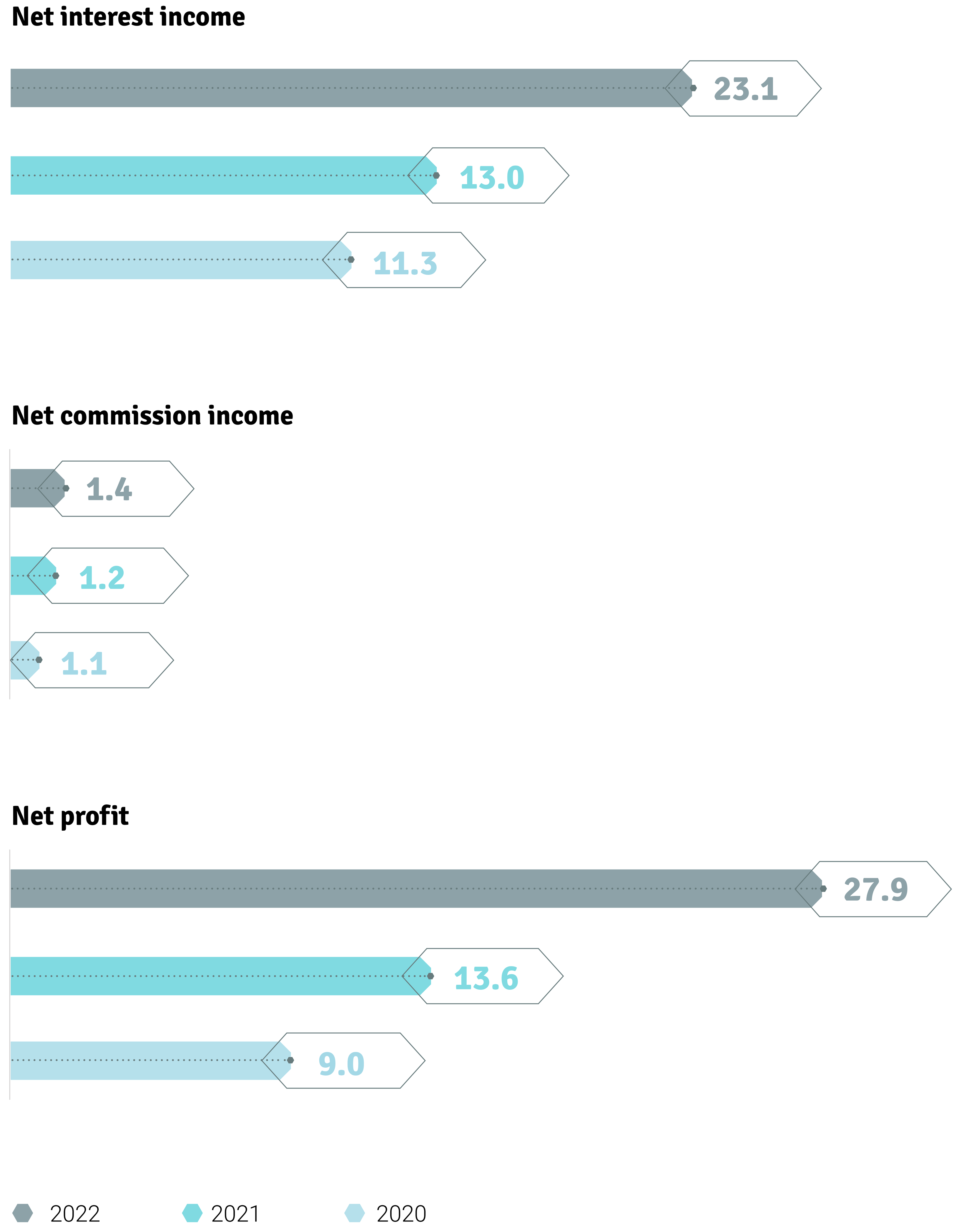
Income in the SME

KZT bn for the period



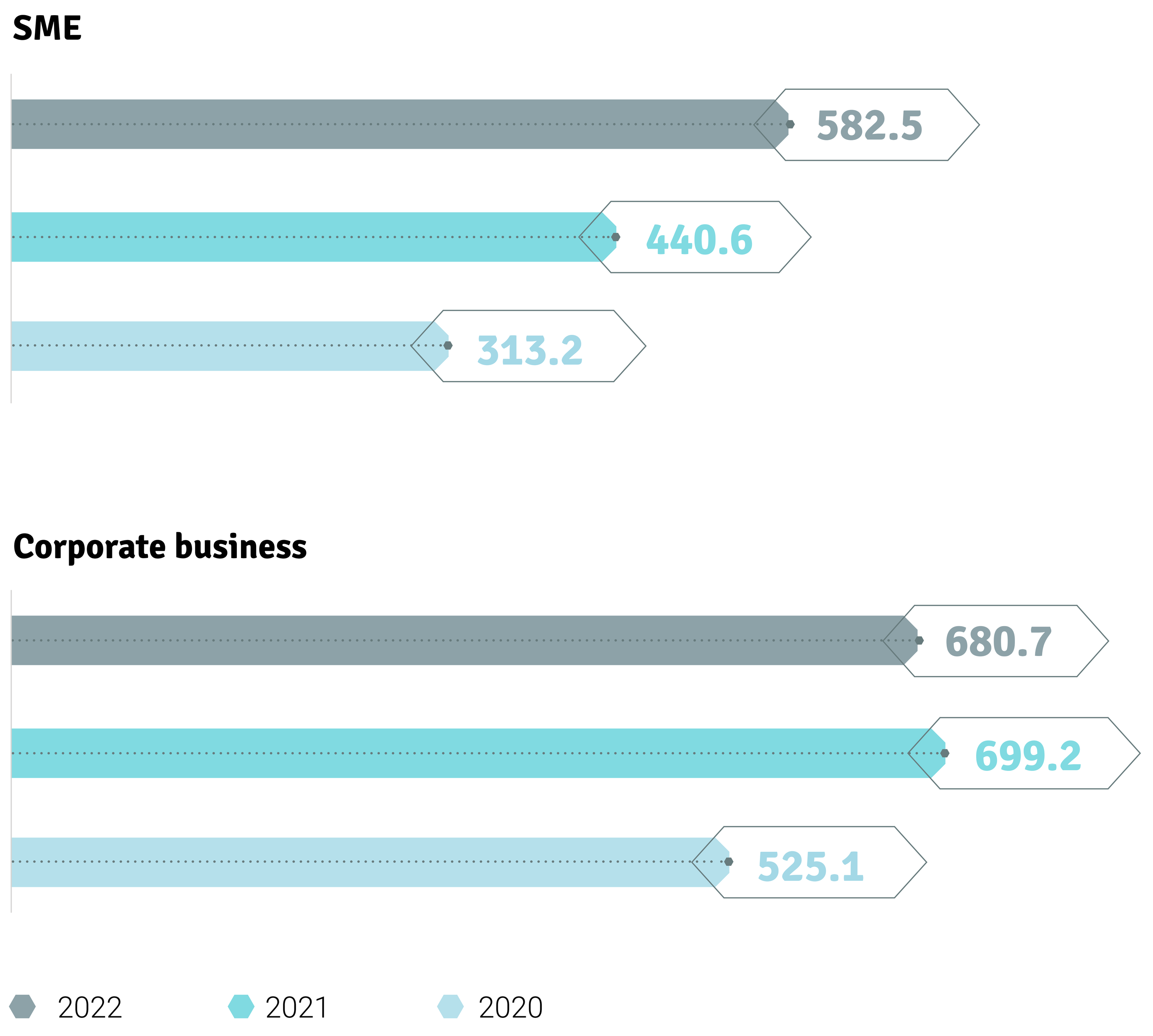
Income in the corporate business

KZT bn for the period



Deposit portfolios in SME and corporate business

Corporate business



Over the year, SME deposits increased by 32.2% and reached KZT 582.5 bn, while corporate customers deposits declined by KZT 699.2 bn to KZT 680.7 bn. A slight decrease in deposits and current corporate accounts was mainly due to diversification of large companies' assets.

In 2023, ForteBank plans to start providing non-financial services to legal entities, which will significantly increase the usability of banking services. With each day the Bank transforms from a "money keeper" and lender to an assistant facilitating money-making and doing business.

IMPROVING SERVICE QUALITY AND ACCESSIBILITY IN THE SME SEGMENT IN 2022

SME were given the opportunity to borrow online.

The mobile app enabled them to place a deposit or an overnight deposit.

The Bank launched campaign management, which is a process of interaction with SME customers aimed at their timely informing and creating the best offers.

The Bank launched FortePOS, a product that enables the Bank's customers to accept payments using VISA/MasterCard/UnionPay contactless cards via a mobile phone.

In 2022, the number of corporate cards issued by the Bank increased fourfold, with growth by more than 400% YoY. This was due to enabling online issuance of corporate cards, as well as by expanding services provided to corporate card holders via remote service channels.

Problem debt management

ForteBank continues to consistently maintain and improve the good quality of its current loan portfolio.

As well as transforming non-performing assets from the Heritage portfolio into liquid assets, including problem loans inherited by Forte from Alliance Bank, JSC and Temirbank, JSC. In 2022, the total amount of overdue debt decreased from KZT 38.91 bn to KZT 36.50 bn, and the NPL share of the loan portfolio fell from 4.9% to 4.5%.

Changes in the quality of the Bank's loan portfolio*

Показатель	January 1, 2021	January 1, 2022	January 1, 2023
Loan portfolio, KZT bn	833.0	**847.1**	**1,238.6**
Credit-impaired loans**, KZT bn	214.8	111.6	107.9
Share of credit-impaired loans in the loan portfolio	25.8%	13.2%	8.7%
Loan portfolio provisions, KZT bn	83.3	**38.2**	**65.1**
Provision coverage of the loan portfolio	10.0 %	4.7%	5.3%

** Loan Portfolio, Credit-Impaired Loans and NPL are presented on gross basis.*

*** Credit-impaired loans are loans included in Stage 3 and POCI*

PROBLEM DEBT PORTFOLIO MANAGEMENT

PROBLEM DEBT COLLECTION

Planned: 10,000 KZT mln

Actual: 23,800 KZT mln

In 2022, loan repayment of the problem portfolio, including the "Heritage" portfolio, amounted to KZT 23.8 bn against the planned KZT 10.0 bn *(238% performance)*, **whereas in 2014-2022 the Bank recovered KZT 377 bn.**

PARTICIPATION IN THE GOVERNMENT REFINANCING PROGRAM

In 2022, the Bank attracted deposits in the amount of KZT 8.5 bn and provided support of about 1,400 problem loans with total principal debt of KZT 13.3 bn.

In 2015-2022, the Bank attracted KZT 88.5 bn at the interest rate of 0.1% and 2.99% and provided support of about 15,000 loans with total principal debt of KZT 218 bn.

SALE OF NON-CORE ASSETS

Planned: 7,800 KZT mln

Actual: 9,794 KZT mln

Total value of 498 non-core assets on the Bank's balance sheet amounted to KZT 36 bn at the end of the reporting year. In 2022, the Bank sold properties worth KZT 9.8 bn against the planned KZT 7.8 bn *(126% performance)*. In 2015-2022, Forte sold KZT 106.2 bn of non-core assets.

HERITAGE PORTFOLIO***

Planned: 28,419 KZT mln

Actual: 27,900 KZT mln

By the end of 2022, the Heritage portfolio decreased to KZT 27.9 bn against the planned KZT 46.2 bn.
As of January 1, 2014, the Heritage portfolio amounted to KZT 450 bn.

**** A portfolio including problem loans and assets inherited by Forte from Alliance Bank, JSC and Temirbank, JSC.*

THE BANK'S FINANCIAL PERFORMANCE

Balance sheet structure

In 2022, the Bank's consolidated assets grew by 15.0% and amounted to KZT 2,789.4 bn.

Such increase was primarily due to the growth of the loan portfolio, as the book value of loans issued to the Bank's customers increased by 45.1% and reached KZT 1,173.5 bn. The value of "Cash and cash equivalents" rose by 5.8%, mainly due to the growth of funds placed in the National Bank of Kazakhstan *(with an increase of over KZT 112 bn)*. The Bank's securities portfolio remained basically unchanged, whereas the amount of funds placed in other financial institutions declined by 33.9%.

The Bank's liabilities increased by 13.9% and reached KZT 2,445.6 bn. At the same time, customers' current accounts and deposits increased by 16.0% *(from KZT 1,733.8 bn to 2,011.7 bn)*, payables under repo agreements rose by 171.2% *(from KZT 25.1 bn to KZT 68.0 bn)*, while the amount of banks' and other financial institutions' funds placed with the Bank decreased by 21.6% *(from KZT 85.2 bn to KZT 66.8 bn)*.

In 2022, the Bank's equity grew by 23.8%, having soared from KZT 277.7 bn to KZT 343.8 bn. Its profit at the end of 2022 amounted to KZT 98.1 bn, thereby completely covering the accumulated losses of previous years *(at the end of 2021, the Bank's losses amounted to KZT 83.4 bn)*.

98.1 KZT bn

Profit at the end of 2022

343.8 KZT bn

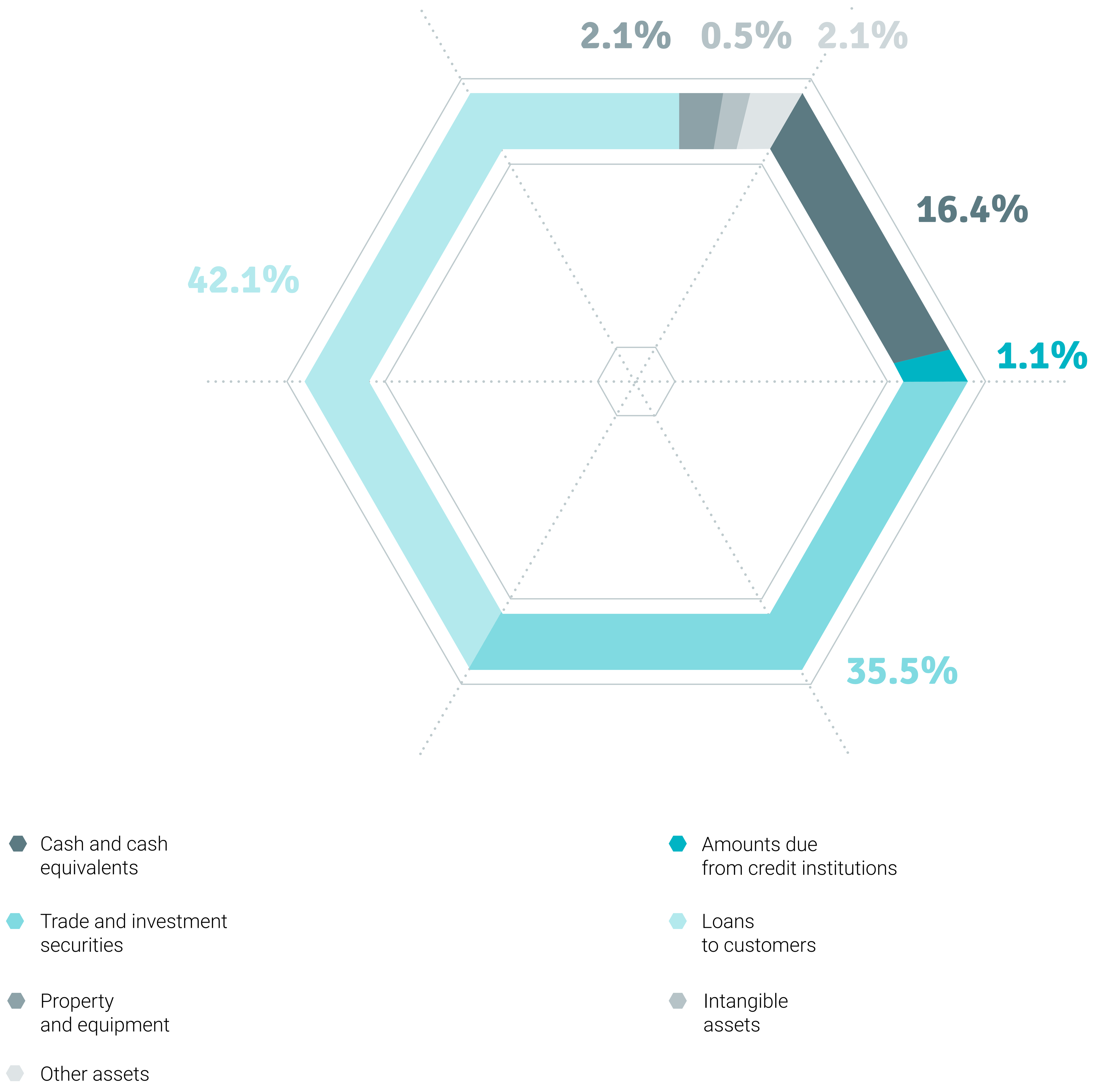
Equity

The Bank's consolidated balance sheet

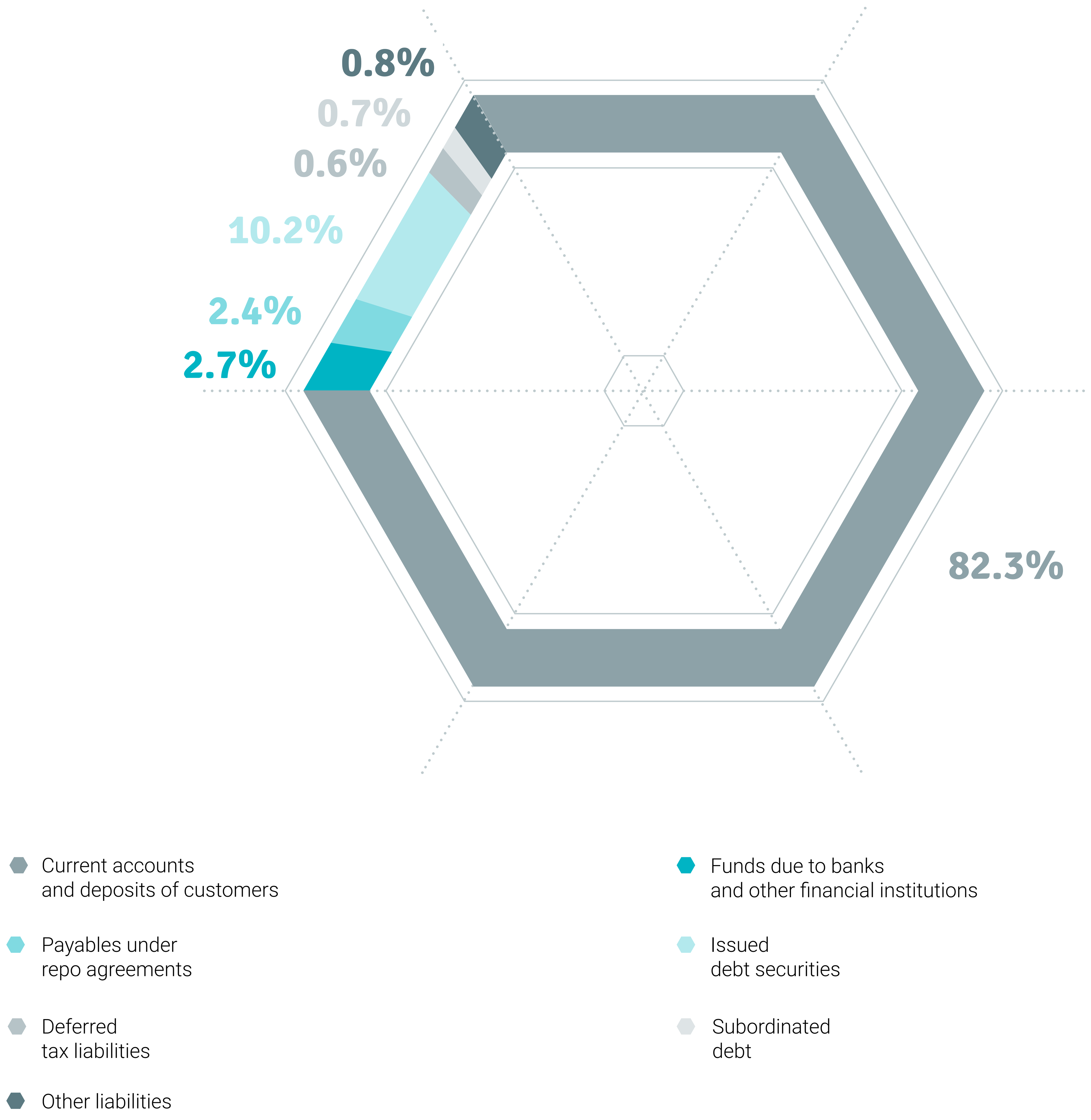
KZT bn at YE 2022

Indicator	2020	2021	2022	Changes in 2022 vs 2021
Assets	**2,089.3**	**2,425.8**	**2,789.4**	**15.0%**
Cash and cash equivalents	311.6	432.9	457.9	5.8%
Funds due from financial institutions	73.7	46.9	31.0	-33.9%
Trade and investment securities	787.5	988.1	993.3	0.5%
Loans to customers	749.7	808.9	1,173.5	45.1%
Property and equipment	65.8	62.6	59.0	-5.8%
Intangible assets	11.2	14.1	14.6	3.2%
Other assets	89.7	72.1	59.9	-16.9%
Liabilities	**1,826.1**	**2,148.2**	**2,445.6**	**13.8%**
Current accounts and deposits of customers	1,387.2	1,733.8	2,011.7	16.0%
Amounts due to banks and other credit institutions	130.5	85.2	66.8	-21.6%
Amounts payables under repurchase agreements	21.7	25.1	67.9	170.5%
Debt securities issued	240.2	253.1	249.5	-1.4%
Deferred tax liabilities	11.2	14.0	13.9	-0.7%
Subordinated debt	20.5	20.5	16.8	-18.0%
Other liabilities	14.8	16.5	19.0	15.2%
Equity	**263.3**	**277.7**	**343.8**	**23.8%**

Structure of the Bank's assets as of December 31, 2022
(on a consolidated basis)



Structure of the Bank's assets as of December 31, 2021
(on a consolidated basis)



At the end of 2022, loans to customers *(42.1%)*, securities portfolio *(35.5%)* and cash and cash equivalents *(16.42%)* accounted for the largest share in the Bank's asset structure.
In the Bank's funding structure, current accounts and customer deposits accounted for 82.3%, while issued debt securities, that is, senior bonds, amounted to 10.2%.

Income and profitability

The inflow of new customers and growing loans became the main drivers for the Bank's interest income growth, which grew by 35.1% compared to 2021 and amounted to KZT 260.8 bn. The most significant interest income share comes from loans issued to customers, which rose by 39.5% compared to the previous year and reached KZT 163.8 bn.

Interest expenses grew by 36.0% and amounted to KZT 132.1 bn, with the largest share *(61.8%)* being payment of interest on customer deposits, the total value of which in 2022 amounted to KZT 81.7 bn.

Net interest income grew by 34.1% and reached KZT 128.6 bn. The growth of the Bank's net interest income became the main reason behind the surge in its net profit, which grew from KZT 64.1 bn in 2021 to KZT 98.1 bn in 2022.

The Bank's non-interest income increased by 86.9%, while its non-interest expenses grew by 52.3%. The growth of non-interest income was driven mainly by net income from operations with foreign currency, which more than tripled from KZT 11.0 bn to KZT 49.9 bn. The Bank's net commission income rose by 6.6%, from KZT 22.5 bn to KZT 24.0 bn.

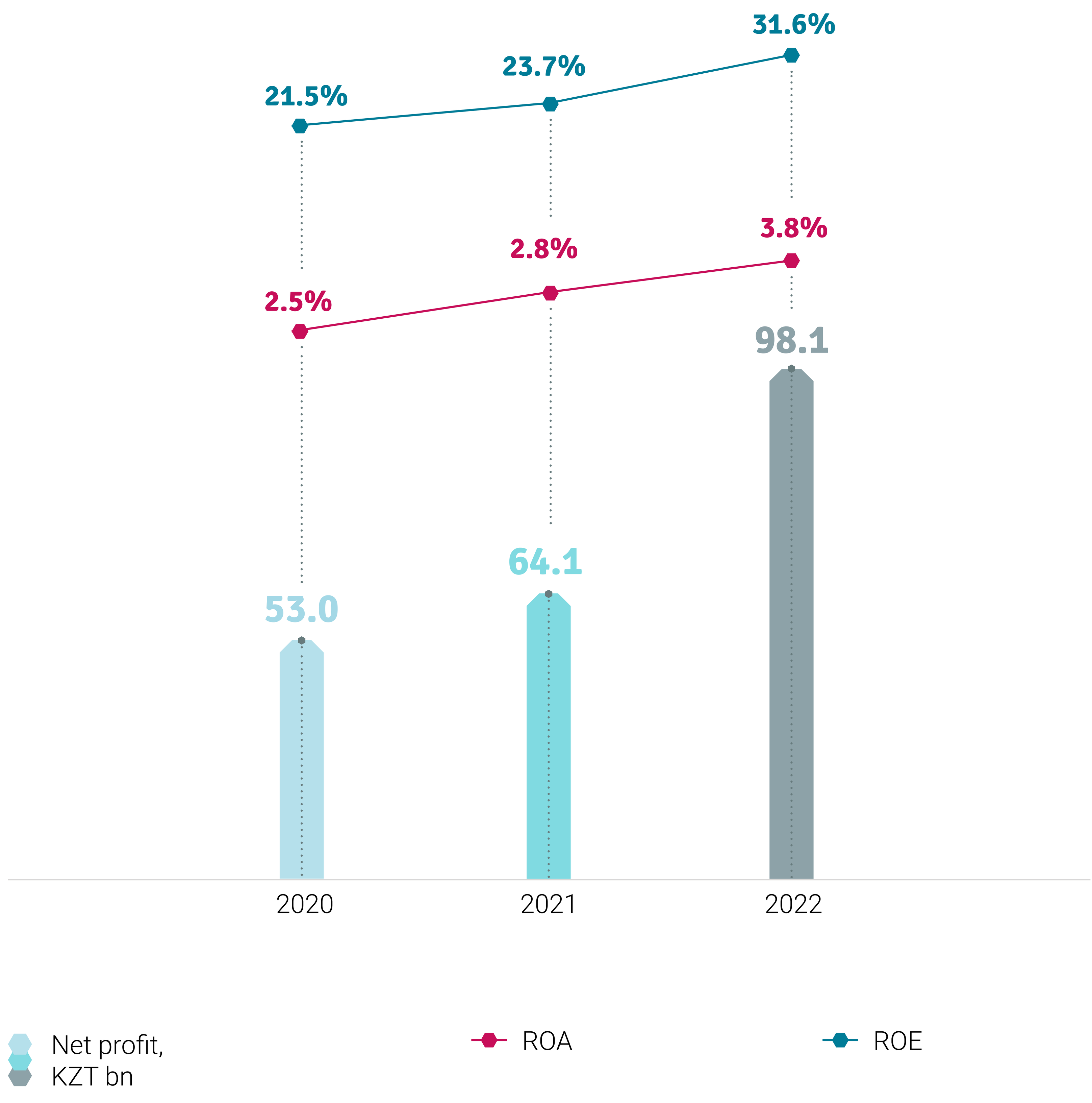
The Bank's income and expenses *(key indicators on a consolidated basis)*

KZT bn

Indicator	2020	2021	2022	Changes in 2022 vs 2021
Net interest income*, including:	**95.0**	**95.9**	**128.6**	**34.1%**
Interest income	185.5	193.0	260.7	35.1%
Interest expenses	(90.5)	(97.1)	(132.1)	36.0%
Non-interest income, including:	**67.6**	**40.4**	**75.4**	**86.9%**
Fee and commission income	35.5	37.3	36.2	(2.9%)
Fee and commission expenses	(14.3)	(14.8)	(12.2)	(17.3%)
Non-interest expense, including:	**(98.7)**	**(69.2)**	**(105.3)**	**52.2%**
Credit loss expense	(39.0)	(9.9)	(37.7)	281.0%
General and administrative expenses	(48.8)	(51.3)	(62.2)	21.3%
Profit before corporate income tax	**64.0**	**67.1**	**98.7**	**47.1%**
Corporate income tax expenses	(11.0)	(3.0)	(0.6)	(79.4%)
Net profit	**53.0**	**64.1**	**98.1**	**53.1%**

** The interest income was calculated at the effective interest rate.*

The Bank's profitability indicators



The Bank's outstripping net profit growth led to an increase in its profitability indicators. Return on assets *(ROA)* was 3.8% against 2.6% in 2021, while return on equity *(ROE)* rose from 23.7% in 2021 to 31.6% in 2022.

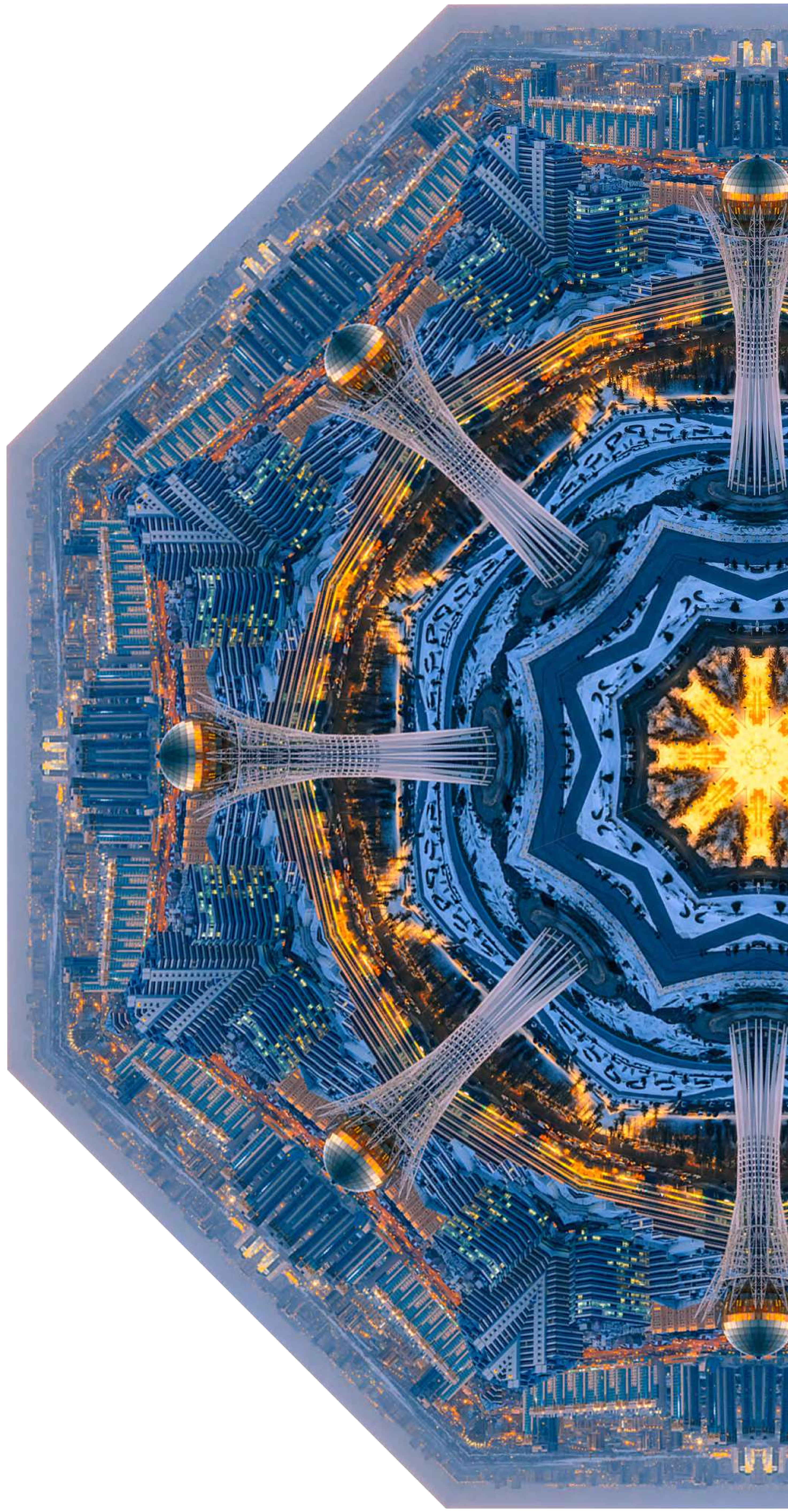
Compliance with prudential regulations

As of December 31, 2021, the Bank complied with all applicable prudential regulations, exceeding statutory values manifold.

The estimated capital adequacy ratios declined slightly compared to the beginning of the year due to the Bank's increased activity on the credit market, which led to the growth of the book value of assets *(from KZT 2,425.8 bn to KZT 2,789.4 bn)* and the estimated value of risk-weighted assets *(from KZT 1,089.9 bn to KZT 1,609.2 bn)*.

The estimated liquidity ratios, excluding k4-1, also decreased slightly in late 2022 compared to the beginning of the year due to changes in the Bank's asset structure.

Indicator	Statutory value	Actual value as of January 1, 2022	Actual value as of January 1, 2023
Components for calculation of capital adequacy ratios			
Tier 1 capital		252.1	315.1
Tier 2 capital		12.9	10.4
Regulatory capital		265.0	325.4
Risk-weighted assets *(RWA)*		1,089.9	1,609.2
Capital adequacy ratios			
k1	7.5%	23.1%	19.6%
k1-2	8.5%	23.1%	19.6%
k2	10%	24.3%	20.2%
Liquidity ratios			
Current ratio *(k4)*	0.3	1.870	1.226
Quick ratio *(k4-1)*	1	3.150	3.083
Quick ratio *(k4-2)*	0.9	2.550	2.625
Quick ratio *(k4-3)*	0.8	2.170	2.222



04 MANAGEMENT GOVERNANCE

>29,000 shareholders

31.6 % return on equity *(ROE)*

CORPORATE GOVERNANCE SYSTEM

The principles, norms and procedures of corporate governance in ForteBank, JSC are enshrined in its Corporate Governance Code *(CGC)* approved by the Bank's General Meeting of Shareholders on December 30, 2014. The CGC was developed under the law of the Republic of Kazakhstan and the Bank's Charter, taking into account the Basel Committee Guidance on «Enhancing Corporate Governance for Banking Organizations» *(October 2010)*, best domestic and foreign practices, as well as generally accepted rules of business ethics and business customs.

Given the changing situation of the modern world, the Bank's shareholders and management pay special attention to enhancing and updating corporate governance in accordance with the growing demands of society and the business environment. In order to make corporate governance more efficient, the CGC was amended in terms of environmental responsibility by three General Meetings of the Bank's Shareholders *(in 2017, 2018 and 2020)*, increasing the Bank's transparency and ensuring the Bank's compliance with corporate governance principles.

The Bank considers corporate governance to be a means of improving its performance, strengthening its reputation, reducing the cost of raising capital, and increasing its market value. The CGC standards apply to interactions between the Bank's bodies and officials, as well as to relations between the Bank, its shareholders and investors and other stakeholders – customers, partners, counterparties, employees, government agencies and their representatives.

CORPORATE GOVERNANCE PRINCIPLES UNDER THE CORPORATE GOVERNANCE CODE

Protection of rights and interests of the Bank's shareholders

To exercise fundamental rights of the shareholders in terms of access to information, disposal of shares, obtaining their due share of profit, etc.

Efficient governance

Governance based on the Bank's long-term targets and its development strategy

Accountability and responsibility

Accountability of the Board of Directors and the Management Board to the Bank's General Meeting of Shareholders

Legality and ethics

To ensure strict compliance of the Bank's internal regulatory framework with the law, business ethics rules and business customs

Efficient dividend policy

A transparent mechanism for determining the amount of dividends on the Bank's ordinary shares, as well as the procedure for their accrual and payment

Transparent and fair disclosure of information on the Bank and its activities

To provide available, up-to-date, accurate and easy-to-understand information about the Bank and its activities to external users *(including the Bank's shareholders, customers, counterparties, partners, current and potential investors, government bodies, and mass media)* as deemed necessary and sufficient

Efficient personnel policy

To develop partner relations between the Bank and its employees, to protect the employees' rights, to improve their labor conditions and create a favorable environment among the personnel

Environmental protection

Careful and rational treatment of the environment with a ban on financing projects that are harmful to the environment, human life and health

To assist the development of the financial system in the Republic Kazakhstan in an active manner

To participate in the activities of the Financial Institutions' Association of Kazakhstan and to promote the improvement of legislation and law enforcement practices in finance in an active manner

EQUITY STRUCTURE

As of December 31, 2022, the number of the Bank's authorized common shares was 150,003,000,000, while the number of outstanding common shares was 92,387,104,089. The Bank had no preferred shares.

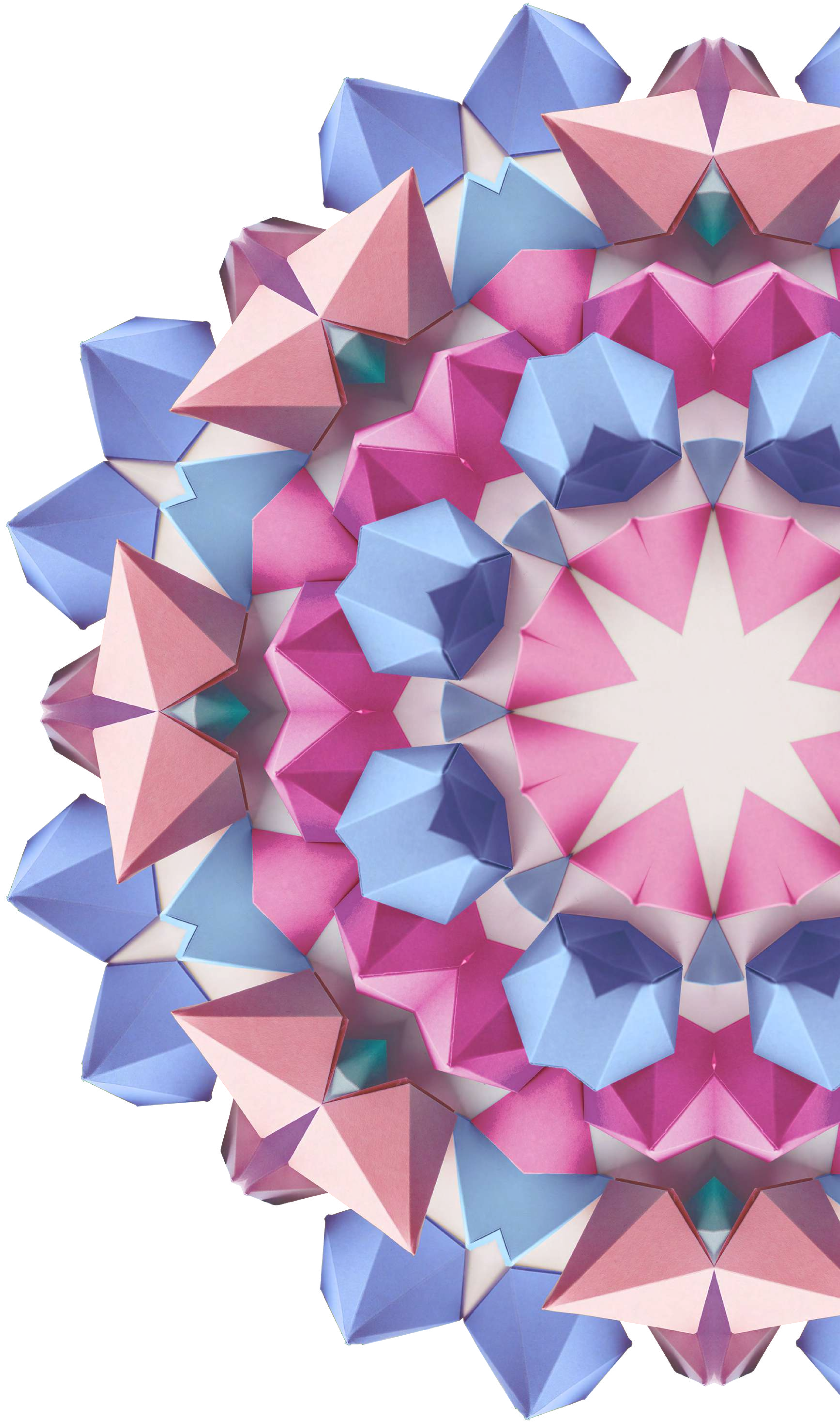
As of December 31, 2022, the Kazakh businessman Bulat Utemuratov was the beneficial owner and ultimate controlling shareholder of 84.32% of outstanding shares*. A year earlier, his share was 89.32% of outstanding shares, but in December 2022, he sold 5.0% of these shares to Alidar Utemuratov. As of late 2022, 10.68% of common shares outstanding *(including the shares which are an underlying asset for global depositary receipts)* were free float among about 30,000 shareholders representing individuals and legal entities, both in Kazakhstan and abroad.

Changes in the Bank's shareholder structure in 2022

Indicator	January 1, 2022	January 1, 2023
Common shares placed, pcs.	92,387,104,089	92,387,104,089
Common shares repurchased, pcs.	1,934,376,697	1,934,434,197
Common shares outstanding, pcs.	90,452,727,392	90,452,669,892
Shares outstanding held by B. Utemuratov, pcs.	80,794,031,785	76,271,395,415
Shares held by B. Utemuratov, %	89.32%	84.32%
Shares outstanding held by A. Utemuratov, pcs.	0	4,522,636,370
Shares outstanding held by A. Utemuratov, %.	0.0%	5.00%

10.68%

Number of common shares in free float



** Outstanding shares minus shares and global depositary receipts repurchased by the Bank.*

PAYMENT OF DIVIDENDS

In compliance with the Bank's Charter and the Dividend Policy, the resolution to pay dividends on common shares of the Bank is made by the General Meeting of the Bank's Shareholders. After the General Meeting of Shareholders has made the relevant resolution, the dividends shall be paid within 90 calendar days from the date following the decision day. Dividends on common shares shall only be paid after auditing the Bank's financial statements for the relevant period.

THE BANK'S CGC ESTABLISHES THE FOLLOWING DIVIDEND POLICY REQUIREMENTS:

1. the Bank's dividend policy shall ensure a transparent mechanism for determining the amount of dividendsto be paid on the Bank's common shares and a procedure for their accrual and payment, aiming to enhance the welfare of the Bank's shareholders and increase the Bank's capitalization;

2. dividends on the Bank's common shares shall be accrued and paid based on reliable information about the actual state of the Bank's business and the presence of relevant conditions for such accruals and payments.

Forte's current dividend history began in 2017 with paying dividends based on the Bank's results of 2016. After that, dividends were paid annually except 2022, when, in spite of the record-breaking net profit for 2021, the Annual General Meeting of Shareholders resolved not to pay dividends for 2021 performance and leave the income at the disposal of the Bank due to geopolitical tensions in the region and business uncertainties.

49.99%

Share of the Bank's net profit allocated for payment of dividends for 2022

History of the Bank's dividend payouts

Resolution date	Period for which dividends were paid	Dividend amount per share, before deducting the tax at the source of payment according to requirements of the Tax Code of the Republic of Kazakhstan, KZT	Dividend payment amount, KZT mln	%, ratio to net profit for the corresponding year
May 15, 2017	January 1, 2016 – December 31, 2016	0.05	4,567	39.04%
April 2, 2018	January 1, 2017 – December 31, 2017	0.085	7,748.4	39.23%
April 29, 2019	January 1, 2018 – December 31, 2018	0.127	11,375.9	39.08%
May 4, 2020	January 1, 2019 – December 31, 2019	0.2372	21,108	49.98%
March 29, 2021	January 1, 2020 – December 31, 2020	0.5951	52,958	100.0%
January 1, 2022	January 1, 2021 – December 31, 2021	The Annual General Meeting of Shareholders resolved not to pay dividends for the Bank's performance in 2021 and to leave the income at the disposal of the Bank		
May 2, 2023	January 1, 2022 – December 31, 2022	0.5421	49,034.4	49.99%

SHAREHOLDERS' RIGHTS

Under cl. 5 5 Art. 80 of the Law of the Republic of Kazakhstan "On the Securities Market" *(Securities Market Law)*, the procedure for maintaining the shareholders register is established by a regulation issued by the authorized body and the set of rules of the central depository. Since January 1, 2019, the central depository functions are performed by Central Securities Depository, JSC, therefore the Bank is guided by data obtained from Central Securities Depository, JSC on all issues related to stock registers.

~30,000

As of January 1, 2023, the Bank had about 30,000 shareholders *(individuals and legal entities)*.

ForteBank's shareholders exercise all the rights granted by the Law of the Republic of Kazakhstan "On Joint-Stock Companies" *(Joint Stock Companies Law)*, which is also reflected in the Bank's Charter. Each shareholder has the right:

- to participate in the management of the Bank under the procedure established by the Joint-Stock Companies Law and *(or)* the Bank's Charter;
- if a shareholder holds five or more percent of the Company's voting shares independently or jointly with other shareholders, he/she has the right to propose the inclusion of additional items into the agenda of the General Meeting of Shareholders to the Board of Directors under the Joint-Stock Companies Law and the Bank's Charter;
- to receive information on the Bank's activities, including familiarizing themselves with the Bank's financial statements, in the manner determined by the General Meeting of Shareholders or the Bank's Charter;
- to propose nominees to the Company's Board of Directors to the General Meeting of the Bank's Shareholders;
- to contest the resolutions of the Bank's governing bodies in courts;
- if a shareholder holds five or more percent of the Company's voting shares independently or jointly with other shareholders, he/she has the right to apply to judicial authorities on their own behalf in cases provided for by the Joint-Stock Companies Law, demanding that the Bank be reimbursed by its officials for the losses incurred and refunded with the profit *(income)* received by its officials and *(or)* by their affiliates as a result of decisions on conclusion of *(proposals to conclude)* major transactions and/or related-party transactions;
- to provide the Bank with written requests regarding its activities and receive substantiated responses within 30 calendar days from the date when the Bank received the request;
- the right to part of the Bank's property in case of its liquidation;
- the right of pre-emption in relation to shares or other securities of the Bank convertible into its shares in accordance with the procedure established by the Joint-Stock Companies Law, etc.

In accordance with the CGC, the Bank ensures that the following fundamental rights of its shareholders are exercised:

- the right to own, use and dispose of the Bank's shares held by shareholders;
- the right to receive information about the Bank and its activities in the extent, within the period and in the manner prescribed by law and the Bank's internal documents;
- the right to participate in managing the Bank by taking part in the General Meetings of the Bank's Shareholders, speaking and voting on the issues under consideration;
- the right to propose nominee*(s)* to the Board of Directors to the General Meeting of the Bank's Shareholders, if its agenda includes election of new members;
- the right to obtain a share of the Bank's profits in the form of dividends on the Bank's shares held by such shareholders;
- other rights established by the law of the Republic of Kazakhstan and the Bank's Charter.

The Bank does not prevent its shareholders from disposing of the Bank's shares that they hold *(including alienation)*. The Bank informs its shareholders in a timely manner, in accordance with the Bank's Charter and the requirements of the law of the Republic of Kazakhstan, about the date, time and venue of the General Meeting of the Bank's Shareholders, under a procedure which enables the shareholders to exercise their rights to convene the General Meeting of the Bank's Shareholders, make proposals to supplement its agenda, nominate candidates for the Bank's Board of Directors, etc., in a convenient manner.

INFORMATION DISCLOSURE

In disclosing information about itself and its activities, Forte adheres to the principles of transparency and fairness. The practices and procedures for information disclosure are set forth in the Bank's Charter and the CGC. The Bank's CGC establishes its commitment to providing stakeholders with accessible, up-to-date, truthful and understandable information to the required and sufficient extent.

The key stakeholders of the Bank include its shareholders, customers, counterparties, partners, existing and potential investors, rating agencies, stock exchanges where the Bank's securities are listed, government bodies exercising regulatory and supervisory functions in relation to the Bank, and mass media.

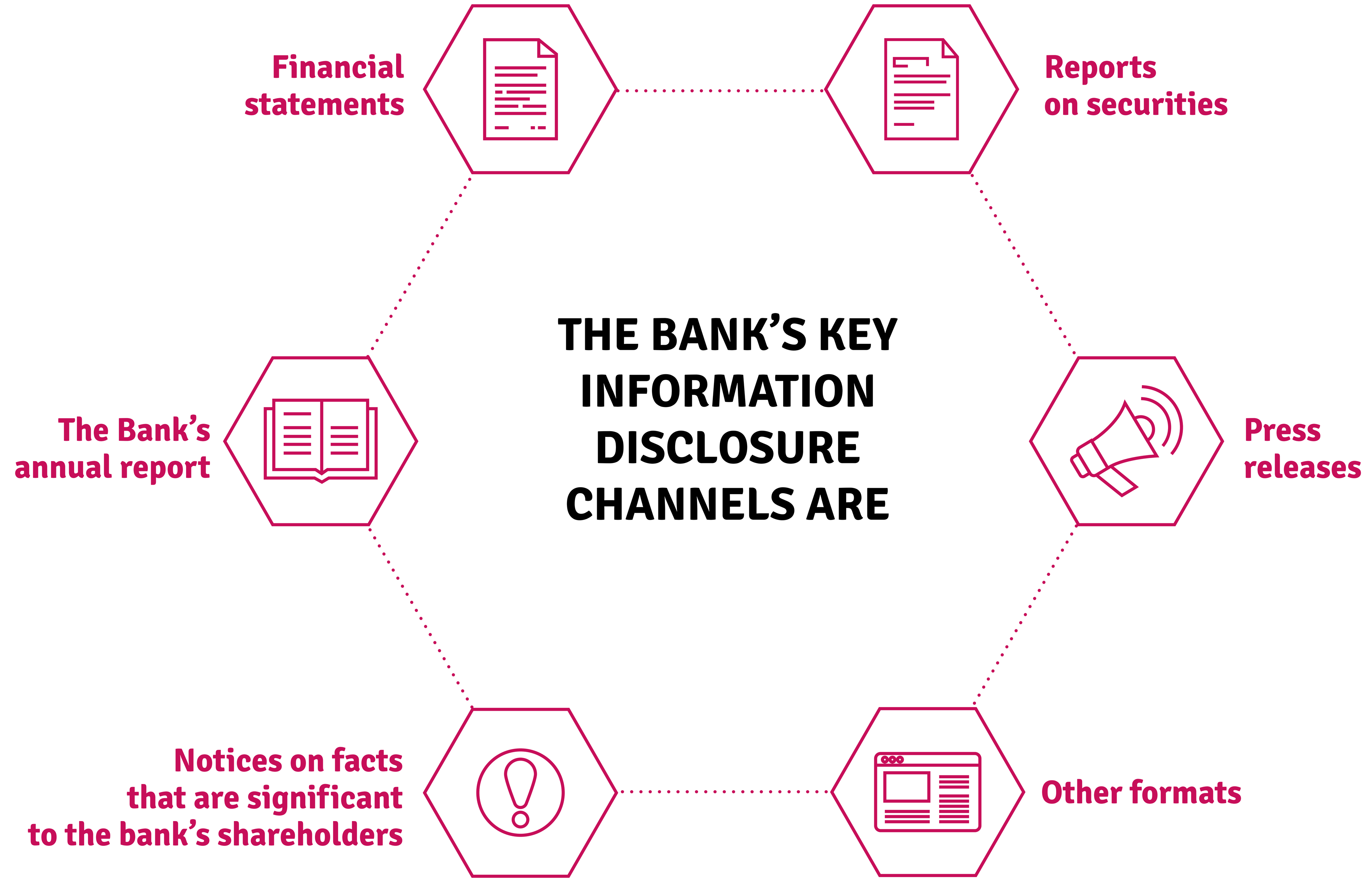
The Bank's balanced approach to information transparency is to ensure transparency of its corporate governance, save for issues that constitute a trade, official, banking secret or other kind of secret protected by law.

THE PRINCIPLE OF TRANSPARENT AND FAIR DISCLOSURE OF INFORMATION ABOUT THE BANK AND ITS OPERATIONS IMPLIES THE FOLLOWING:

1. shareholders and investors of the Bank *(including potential ones)* are granted free and unimpeded access to the information about the Bank and its operations that such shareholders and investors need to make relevant decisions, in accordance with the procedure established by the law of the Republic of Kazakhstan and internal documents of the Bank;
2. the Bank discloses information on its key results, plans and prospects which may significantly affect the rights and legitimate interests of the Bank's shareholders and investors, in a timely manner;
3. the Bank regularly discloses information on significant corporate actions and/or events regarding its operations, while taking measures to protect confidential information, the list of which is determined by the Board of Directors.

The Bank discloses information in accordance with the requirements established by the law of the Republic of Kazakhstan, the rules of stock exchanges where the Bank's securities are listed, and recommendations provided by authorized government bodies.

Information about the Bank is disclosed in accordance with its internal documents containing a list of data that the Bank considers necessary to disclose *(in addition to disclosures provided for by law)*, the rules for its disclosure and the procedure for providing disclosed information.



GOVERNING BODIES

The Bank's governing bodies are:

THE SUPREME BODY
General Meeting of Shareholders

THE GOVERNING BODY
Board of Directors

THE EXECUTIVE BODY
Management Board

GENERAL MEETING OF SHAREHOLDERS

BOARD OF DIRECTORS

MANAGEMENT BOARD

Committees under the Board of Directors

- trategic Planning Committee
- Risk Management, Lending, Asset and Liability Management Committee
- Personnel, Remuneration and Social Matters Committee
- Internal Audit Committee
- Digitalization Committe

Authorized Collegial Bodies under the Bank's Management Board

- Asset and Liability Management Committee *(ALMC)*
- Head Office Credit Committee *(HOCC)*
- Head Office Credit Committee for Small and Medium-sized Business *(HO CCSMB)*
- Head Office Credit Committee for Retail Business *(HO CCRB)*
- Head Office Committee for Problem Debts *(HO CPD)*
- Head Office Small Committee for Problem Debts *(HO SCPD)*
- Head Office Small Credit Committee for Small and Medium-sized Business *(HO SCCSMB)*
- Budget Committee
- Tariff Committee
- Operations Committee
- Quality Control Committee
- Information Security Committee
- Digitalization and Ecosystem Committee

General Meeting of Shareholders

IN 2022, THE GENERAL MEETING OF SHAREHOLDERS WAS HELD THRICE:

On April 1, 2022

the Annual General Meeting of the Bank's Shareholders was held and the following resolutions were made:

- approved the Bank's performance and the report of the Board of Directors for the fiscal year of 2021;
- resolved not to pay dividends for the Bank's performance in 2021 and to leave the received income at the Bank's disposal;
- approved the remuneration of the Board of Directors and the Management Board for 2021;
- determined the number of members, term of office and remuneration of the Bank's Board of Directors;
- considered shareholders' appeals regarding actions taken by the Bank and its officials.

Extraordinary General Meetings of Shareholders were held:

On June 7, 2022

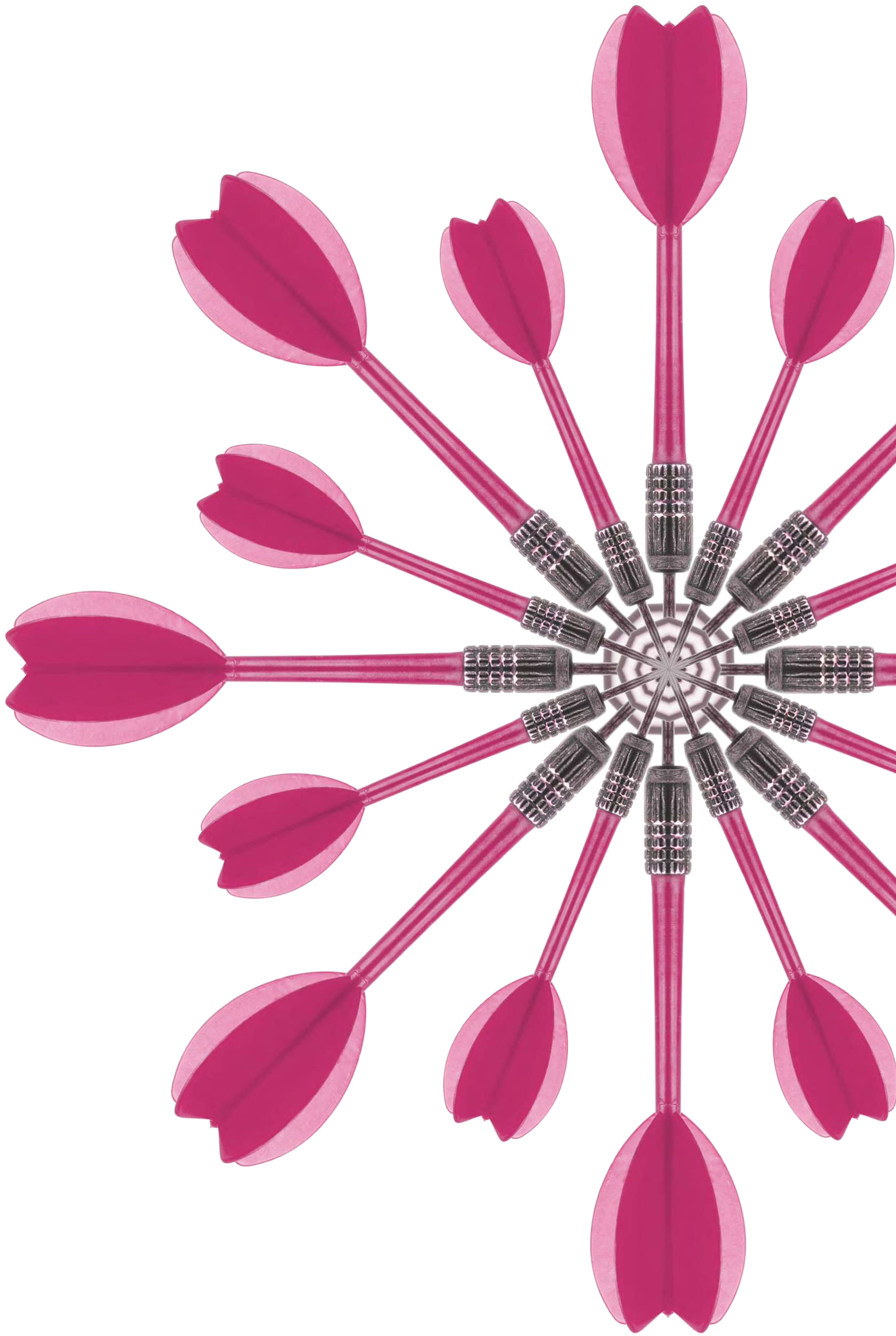
approved:

- approved amendments to the Regulations on the Board of Directors of the Bank and elected a new member of the Board of Directors.

On December 28, 2022

approved:

- approved the Bank's Charter as amended and to assign the audit firm responsible for auditing and reviewing the Bank's financial statements for the coming years.



THE ANNUAL GENERAL MEETING OF THE BANK'S SHAREHOLDERS WAS HELD

On May 2, 2023

which:

- approved the Bank's performance and the report of the Board of Directors for fiscal year 2022;
- resolved to pay dividends for the Bank's performance in 2022;
- approved the remuneration of the Board of Directors and the Management Board for 2022;
- approved changes in the membership of the Board of Directors and determined the number of members, term of office and remuneration of the Board of Directors;
- considered shareholders' appeals regarding actions taken by the Bank and its officials.

Board of Directors

The Board of Directors provides general management of the Bank, ensures efficient control over the Management Board, sets the Bank's strategic objectives and development areas, as well as basic principles of and approaches to organizing the risk management and internal control system, monitors the executive bodies' activities, including their compliance with the approved Development Strategy of the Bank, oversees building, development and performance monitoring of the corporate governance system and ensures transparency of the Bank's operations. The Board of Directors is accountable to the General Meeting of the Bank's Shareholders.

The Board of Directors is formed under the requirements set forth in the Joint-Stock Companies Law as well as the provisions of the Bank's Charter and the Corporate Governance Code. The Board of Directors shall be balanced in terms of its members' skills, expertise and independency that are required to perform their functions in an efficient manner.

The members of the Board of Directors are elected in accordance with the requirements to their qualification and business reputation established by current law, and should have knowledge and experience in areas relevant to the Bank's key lines of business: finance, banking operations, banking regulation, corporate governance, risk management, internal control and audit. Furthermore, the members of the Board of Directors should have managerial skills and expertise in various economic sectors, be familiar with the specifics of international markets and foreign business culture, and be of different age and nationalities.

To ensure efficient decision-making and to balance the interests of various groups of shareholders, Independent Directors are elected to the Board of Directors. An Independent Director is a member of the Board of Directors, who has sufficient expertise, experience and independence to form his or her own opinion, also capable of making fair and prudent judgments, regardless of the influence of the executive body, individual shareholder groups or other stakeholders.

Independent Directors are represented on the Bank's Board of Directors in full compliance with the law of the Republic of Kazakhstan and the Bank's internal documents. It is noteworthy that from December 1, 2021, the Board of Directors has been headed by Independent Director Yeldar Abdrazakov.

THE FOLLOWING DIVISIONS AND FUNCTIONAL UNITS OF THE BANK ARE DIRECTLY SUBORDINATE TO THE BOARD OF DIRECTORS:

CORPORATE SECRETARY

The Corporate Secretary ensures that the Bank's corporate governance system functions in a proper manner. This includes support to timely and high-quality corporate decisions by the Board of Directors and shareholders; participating in improving the corporate communications system and ensuring efficient monitoring of the Bank's compliance with the requirements of the corporate governance law *(in order to protect the rights and interests of the Bank's shareholders and minimize corporate conflict risks and other risks the Bank is exposed to)*.

COMPLIANCE CONTROL

The Compliance Control is in charge of development of the Bank's Compliance Risk Management Policy, compliance risk management at the Bank, coordination of the Bank's compliance risk management activities and implementation of the ML/FT Risk Management Policy.

INTERNAL AUDIT

The Internal Audit provides an independent and fair assessment of the efficiency of risk management, internal control and management processes.

To consider the most important issues and prepare recommendations on issues submitted to the Board of Directors, as well as to comply with the legal requirements, the Board of Directors creates specialized advisory bodies, that is, committees of the Board of Directors.

Members of the Board of Directors

As of December 31, 2022, the Board of Directors consisted of six members, including the Chairperson of the Board of Directors and five members of the Board of Directors, two of which were Independent Directors.

Members of the Board of Directors as of December 31, 2022

Full name	Position	Election date
Y. Abdrazakov	Chairperson of the Board of Directors – Independent Director	December 1, 2021
T. Issatayev	Member of the Board of Directors – represents the interests of the shareholder	December 30, 2013
A. Utemuratov	Member of the Board of Directors – represents the interests of the shareholder	December 30, 2014
H. Pandza	Member of the Board of Directors – Independent Director	November 3, 2015
M. Mirzabekov	Member of the Board of Directors – represents the interests of the shareholder	June 14, 2019
Y. Ospanov	Member of the Board of Directors – represents the interests of the shareholder	June 7, 2022

In the reporting year, the composition of the Board of Directors had the following changes:

On April 1, 2022,

by the resolution of the Annual General Meeting of Shareholders the current Board of Directors was re-elected with no changes, with their term of office terminating on the date of the Annual General Meeting of Shareholders in 2025;

On April 5, 2022,

Y. Abdrazakov was re-elected as Chairperson of the Board of Directors and Independent Director;

On June 1, 2022,

the powers of G. Andronikashvili, member of the Board of Directors representing the interests of the shareholder, were prematurely terminated on his own initiative;

On June 7, 2022,

Y. Ospanov was re-elected to the Board of Directors as a member representing the interests of the shareholder.

Yeldar Abdrazakov

Chairperson of the Board of Directors – Independent Director

Born in 1972

EXPERIENCE:

From December 2021 to the present day
ForteBank, JSC, Chairperson of the Board of Directors – Independent Director.

From March 2020 to the present day
Air Astana, JSC, member of the Board of Directors – Independent Director.

From January 2020 to the present day
LIC Centras Kommesk Life, JSC, Chairperson of the Board of Directors.

From March 2019 to the present day
ForteBank, JSC, member of the Board of Directors – Independent Director.

From May 2012 to the present day
Kazakhstan Stock Exchange, JSC, member of the Board of Directors.

From October 2012 to the present day
Centras Invest, LLP, General Director.

From May 2012 to the present day
Insurance Company Centras Insurance, JSC, Chairperson of the Board of Directors.

From July 2010 to the present day
Life Insurance Company Kommesk-Omir, JSC, Chairperson of the Board of Directors.

From April 2007 to the present day
Centras Capital, LLP, General Director.

From August 2006 to the present day
Centras Securities, JSC, Chairperson of the Board of Directors.

EDUCATION:

2010
Harvard Business School *(US)*.

1996
Ahmet Yesevi University *(Ahmet Yesevi Üniversitesi)*,
Master of Sciences and Technologies,
Master of International Economic Relations.

1995
Ahmet Yesevi University,
International Economic Relations.

Timur Issatayev

Member of the Board of Directors – Shareholder representative

Born in 1969

EXPERIENCE:

From December 2013 to the present day
ForteBank, JSC, Member of the Board of Directors.

2013–2015
ForteBank, JSC *(former Alliance Bank, JSC)*,
Chairperson of the Management Board.

2012–2013
ABC Bank, JSC, Member of the Board of Directors.

2010–2012
Metrocombank, JSC,
Chairperson of the Board of Directors.

EDUCATION:

1993
Yale University.

1991
Al-Farabi Kazakh National University.

Anuar Utemuratov

Member of the Board of Directors – Shareholder representative

Born in 1983

EXPERIENCE:

From October 2015 to the present day
Alassio Capital, LLP, Director.

From December 2014 to the present day
ForteBank, JSC *(former Alliance Bank, JSC)*,
Member of the Board of Directors.

2013–2016
ABC Bank, JSC, Member of the Board of Directors.

2012–2013
ForteBank, JSC *(former Metrocombank, JSC)*,
Member of the Management Board, Senior Risk Manager.

2008–2010
JP Morgan Financial Company *(London)*, Analyst.

EDUCATION:

2004
Huron University USA in London.

Hubert Albert Pandza

Member of the Board of Directors – Independent Directorp

Born in 1948

EXPERIENCE:

From June 2017 to the present day
Deutsche Bank Polska *(Warsaw)*,
Member of the Board of Directors – Independent Director.

2015–2017
Rosenergobank, PJSC (Moscow),
Member of the Board of Directors – Independent Director.

From November 2015 to the present day
ForteBank, JSC *(former Alliance Bank, JSC)*,
Member of the Board of Directors – Independent Director*.

2013–2015
Commercial Bank Rosenergobank, JSC *(Moscow)*,
Adviser to the Management Board.

2013–2014
Transcapitalbank, PJSC *(Moscow)*,
Member of the Board of Directors – Independent Director.

2010–2014
Alliance Bank, JSC, Member of the Board of Directors – Independent Director.

EDUCATION:

1975
Saarland University, Saarbrücken, Germany,
Master of Sciences in International Economic Relations.

INSEAD Advanced Management Program,
Fontainebleau, France.

** On 2 May 2023, Talgat Kuanyshev was elected member of the Board of Directors – Independent Director instead of Mr. Pandza.*

Marlen Mirzabekov

Member of the Board of Directors – Shareholder representative

Born in 1970

EXPERIENCE:

From December 2021 to the present day
ForteBank, JSC, Member of the Board of Directors – Shareholder representative.

From June 2019 through November 2021
ForteBank, JSC, Chairperson of the Board of Directors – Representative of the Interests of the Shareholder of the Bank.

From June 2019 to the present day
Nova Leasing, JSC, member of the Board of Directors.

From May 2019 to the present day
Verny Investments Holding, LLP, First Deputy General Director.

2014–2019
Kazzinc Holdings, LLP, Executive Director, General Director.

2012–2019
Altyntau Resources, JSC, President, Managing Director.

EDUCATION:

2006
Kazakh Polytechnic Institute *(currently Satbayev University)*.

1994
Ilmenau University of Technology *(Technische Universität Ilmenau)*, Germany.

1989
Almaty Institute of National Economy *(currently Narxoz University)*.

Yerlan Ospanov

Member of the Board of Directors – Shareholder representative

Born in 1972

EXPERIENCE:

From June 2022 to the present day
ForteBank, JSC, Member of the Board of Directors – Shareholder representative.

From October 2020 to the present day
Verny Capital, LLP, General Director.

From March 2020 to the present day
SaryArka Airport, JSC, Chairperson of the Board of Directors.

From June 2019 to the present day
Nova Leasing, JSC, Chairperson of the Board of Directors.

From May 2014 to the present day
Haileybury Astana School, NCJSC, Chairperson of the Board of Directors.

From December 2011 to the present day
Schubertring 5–7 Hotelerrichtungs und Hotelbetriebs GmbH *(Austria)*, Director.

From April 2011 to the present day
Narxoz University, JSC, member of the Board of Directors.

EDUCATION:

2002
University of International Business, Almaty.

1995
Bauman Moscow State Technical University.

Activities of the Board of Directors

In 2022, 29 meetings of the Board of Directors and 17 absentee voting events involving its members took place, at which 291 issues were revised, including:

137 issues

(47.1% of the total number)
in person as part of the meetings

154 issues

(52.9% of the total number)
by absentee voting

In 2022, the Board of Directors revised the following issues:

- on the Bank's cybersecurity status; ensuring security of the Bank's IT systems in remote operation mode and continuous operation of the Bank's information systems in case of communications blackout;
- on credit, financial and operational risks and equity;
- on implementation the projects that aim to develop the Bank's retail business and ecosystem, as well as to improve services rendered and their quality; challenges and further growth in the corporate and retail segments;
- on monitoring the implementation of the Bank's Development Strategy regarding the achievement of strategic goals by 2025;
- on improving corporate governance, corporate structure and personnel management;
- on implementation of the Bank's Personnel Policy and approval of the Bank's Code of Corporate Ethics as amended;
- on appointment and termination of office of certain members of the Board of Directors, members of the Management Board, as well as heads of the Bank's subsidiaries;
- on approval of management reports on the Bank's financial performance;
- on participation in the Bankers Blanket Bond *(BBB)* and Directors & Officers Liability *(D&O)* programs;
- on implementation of the Bank's Digitalization Roadmap for 2022;
- on the plans for Data Analytics development and Data Analytics report;
- on approval of resolutions made by the sole shareholder of subsidiaries;
- on financial and management statements submitted by the Bank's Management Board under the law of the Republic of Kazakhstan, as well as reports on the activities of the Internal Audit Service and Compliance Control Service;
- on transactions with persons having especially close relations with the Bank *(including related-party transactions)*, as well as transactions with persons recognized as the Bank's affiliates under its covenants;
- several other issues.

An important line of the Board of Directors' activities includes annual strategic sessions with the Bank's management to jointly develop proposals on adjustments to the Bank's Development Strategy given the current macroeconomic conditions.

The efficiency of the Board of Directors was ensured by regular meetings, the number and nature of issues under consideration, frequent review of the Bank's management reports and reports submitted by the Bank's risk units, the Internal Audit and the Compliance Control, as well as by the Bank's compliance with the deadlines for submitting materials to the Board of Directors on the issues under consideration.

The liability of the members of the Bank's Board of Directors related to the performance of their duties was insured in 2022 under the agreement on liability insurance of directors, officers and companies.

Committees under the Board of Directors

Five Committees have been established and operate under the Board of Directors:

- Strategic Planning Committee;
- Personnel, Remuneration and Social Matters Committee;
- Internal Audit Committee;
- Risk Management, Lending, Asset and Liability Management Committee
- Digitalization Committee.

The Committees are accountable to the Board of Directors. The Chairpersons of the Committees provide the Board of Directors with information on the work done, the nature of the issues addressed and the decisions made.

Members of the Committees of the Board of Directors as of the end of 2022

		MEMBERSHIP IN THE COMMITTEES				
Full name	Position	Strategic Planning Committee	Personnel, Remuneration and Social Matters Committee	Audit Committee	Risk Management, Lending, Asset and Liability Management Committee	Digitalization Committee
Y. Abdrazakov	Chairperson of the Board of Directors – Independent Director	⬢	⬢			⬢
A. Utemuratov	Member of the Board of Directors – represents the interests of the shareholder	⬡			⬡	⬡
M. Mirzabekov	Member of the Board of Directors – represents the interests of the shareholder	⬡	⬡	⬡	⬡	⬡
T. Issatayev	Member of the Board of Directors – represents the interests of the shareholder	⬡	⬡	⬡	⬡	
H. Pandza	Member of the Board of Directors – Independent Director			⬢	⬢	
Y. Ospanov	Member of the Board of Directors – represents the interests of the shareholder	⬡	⬡			⬡

⬢ Chairperson of the Committee ⬡ Committee Member

In 2022, the Committees under the Board of Directors held 57 meetings, at which

143 issues were revised

Activities of the Committees under the Board of Directors in 2022

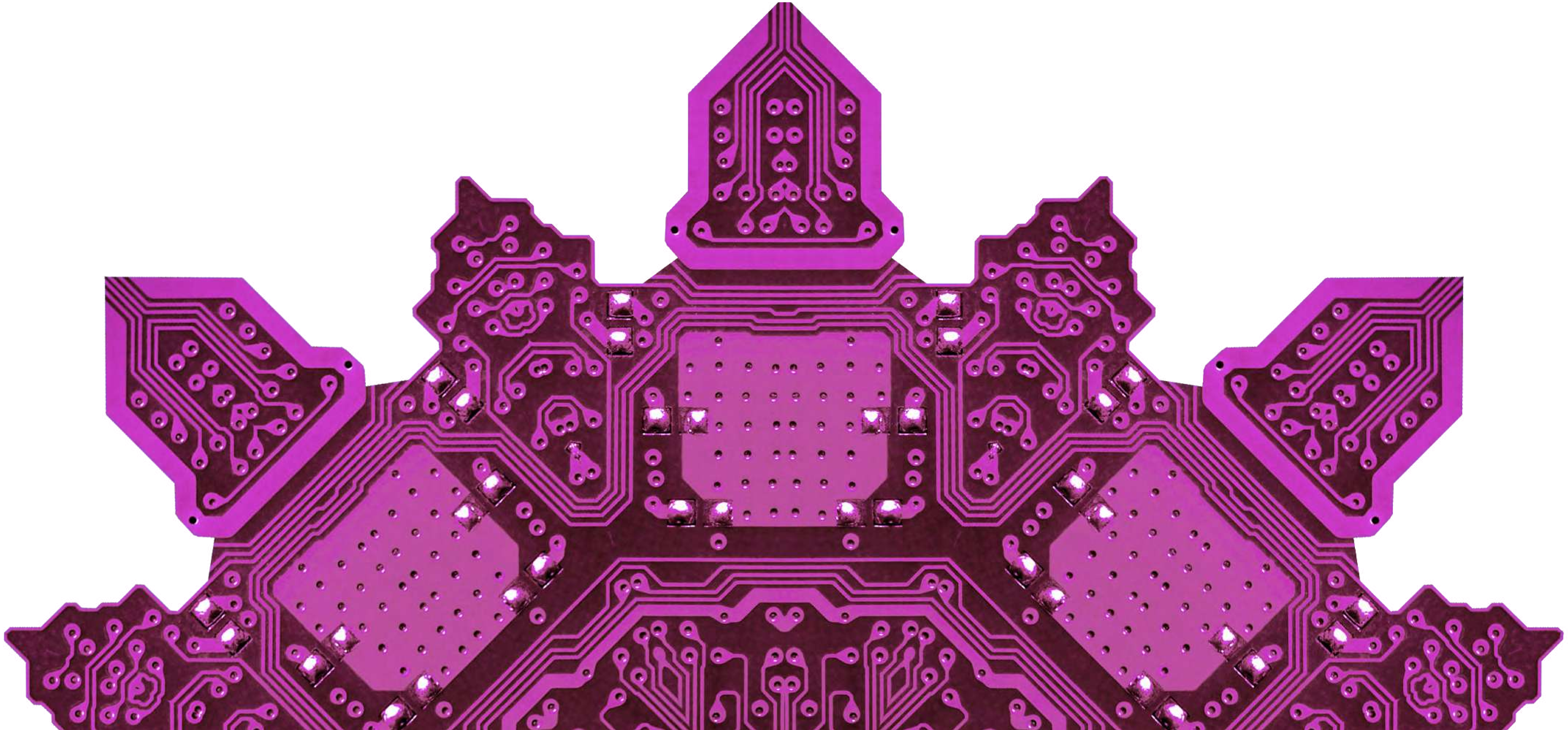
Committee	Number of meetings held	Number of issues considered
Internal Audit Committee	6	12
Personnel, Remuneration and Social Matters Committee	15	25
Strategic Planning Committee	12	29
Risk Management, Lending, Asset and Liability Management Committee	19	64
Digitalization Committee	5	13
TOTAL	**57**	**143**

Performance assessment of the Board of Directors

The Bank has a Regulation on the Performance Assessment of the Bank's Board of Directors and its Members, which was developed in accordance with the Rules for formation of risk management and internal control system for secondtier banks *(approved by Resolution of the Board of the National Bank of Kazakhstan No. 188 dated November 12, 2019)*. The Regulation governs the performance assessment procedures applied to the Bank's Board of Directors and its members and regulates the performance assessment of the Bank's Board of Directors and each of its members.

Furthermore, it provides for annual performance assessment of the Bank's Board of Directors and its members. At least once in three years the assessment shall be carried out with the help of independent consultants.

In 2022, the performance assessment of the Board of Directors took place in the form of selfassessment. All the Board members did a survey according to the following criteria: structure and membership of the Board of Directors; general characteristics and positioning of the Board of Directors; implementation of the key functions of the Board of Directors; operating procedures and awareness of the Board of Directors; the members' experience and qualifications; attendance and preparation of meetings of the Board of Directors; the members' contribution to the operations of the Board of Directors and its Committees. The assessment showed that all aspects of operations of the Board of Directors and its Committees based on 2022 performance comply with the best corporate governance practices.



Management Board

The Management Board is the Bank's executive body responsible for operations management of the Bank. It consists of the Chairperson of the Management Board, its Deputies and other employees of the Bank appointed to the Management Board by the decision of the Board of Directors. The Management Board establishes specialized committees to consider the most significant issues related to the Bank's activities and prepare decision-making recommendations for the Management Board. In 2022, there were 13 Committees under the Bank's Management Board.

Members of the Management Board

As of December 31, 2021, the Bank's Management Board was comprised of seven persons, including four male and three female members:

Members of the Management Board as of December 31, 2021

ФИО	Должность
Sh. Nurumbet	Acting Chairperson of the Management Board
A. Dykanbayeva	Member of the Management Board – First Deputy Chairperson of the Management Board *(CFO)*
A. Auyezkanov	Member of the Management Board – Deputy Chairperson of the Management Board
G. Bissembiyeva	Member of the Management Board – Deputy Chairperson of the Management Board
V. Kyrushko	Member of the Management Board – Deputy Chairperson of the Management Board
B. Pirmatov	Member of the Management Board – Deputy Chairperson of the Management Board
N. Sarsebekov	Member of the Management Board – Deputy Chairperson of the Management Board

As of December 31, 2022, the Bank's Management Board was comprised of four persons, including two male and two female members.

Membership of the Management Board as of 31 December 2022

ФИО	Должность
B. Pirmatov	Member of the Management Board – Chairperson of the Management Board
A. Dykanbayeva	Member of the Management Board – First Deputy Chairperson of the Management Board *(CFO)*
A. Auyezkanov	Member of the Management Board – Deputy Chairperson of the Management Board
G. Bissembiyeva	Member of the Management Board – Deputy Chairperson of the Management Board

In the reporting year, the Management Board had following changes:

On January 10, 2022

R. Rubenis was appointed Chairperson of the Management Board. Sh. Nurumbet continued as member of the Management Board – Deputy Chairperson of the Management Board;

On March 4, 2022

V. Kyrushko resigned from the Management Board;

On July 4, 2022

R. Rubenis and Sh. Nurumbet resigned from the Management Board;

On July 18, 2022

B. Pirmatov was appointed Chairperson of the Management Board;

On November 17, 2022

N. Sarsebekov, a member of the Management Board – Deputy Chairperson of the Management Board, resigned from the Management Board;

On December 22, 2022

A. Chikanayev was elected as the member of the Management Board – Deputy Chairperson of the Management Board and assumed his duties on January 4, 2023.

Bekzhan Pirmatov

Member of the Management Board – Chairperson of the Management Board

Born in 1985

EXPERIENCE:

From July 18, 2022 to the present day
ForteBank, JSC, member of the Management Board – Chairperson of the Management Board.

4 June 2020–17 July 2022
ForteBank, JSC, member of the Management Board – Deputy Chairperson of the Management Board.

2019–2020
First Heartland Jysan Bank, JSC, Chairperson of the Management Board, Adviser to the Chairperson of the Board of Directors.

2018–2020
First Heartland Jysan Invest, JSC, Deputy Chairperson of the Management Board.

2016–2018
European Bank for Reconstruction and Development *(EBRD)*, Principal Banker.

2015–2016
Kazkommerzbank, JSC, Director of the Corporate Business Department.

2010–2015
HSBC Kazakhstan Subsidiary Bank, JSC, Corporate Director of Division for Corporate Customers Relations in Transportation, Telecommunications and Logistics, Head of Division for Major Customers Relations.

2005–2007
Bank TuranAlem, JSC, Chief Specialist of the International Relations and Trade-Financing. Directorate.

2004–2005
Kaspi Bank, JSC, Business Manager of the Corporate Relations Directorate.

EDUCATION:

2009
George Washington University *(Washington, US)*, GW School of Business, MS in Project Management.

2005
Narxoz University, Management.

Aliya Dykanbayeva

Member of the Management Board – First Deputy Chairperson *(CFO)*

Born in 1973

EXPERIENCE:

From January 13, 2020 to the present day
ForteBank, JSC, Member of the Management Board – First Deputy Chairperson of the Management Board *(CFO)*.

2019–2020
ForteBank, JSC, Member of the Management Board – Deputy Chairperson of the Management Board *(CFO)*.

2018–2019
BI Group, Deputy Chairperson of the Management Board *(CFO)*.

2013–2018
Kazpost, JSC, Deputy Chairperson of the Management Board *(CFO)*.

2008–2013
PetroKazakhstan Oil Products, LLP *(Shymkent oil refinery)*, Director for Economy and Planning – Financial Director.

2006–2007
Orient Energy Trade Ltd., Head of the Representative Office.

From July to December 2007
KIMEP University, Lecturer.

2005–2006
BG International Ltd., Economist.

2001–2002
KazGiproNefteTrans, JSC, Financial Director.

1995–2001
different positions in Kazakhstan's and international companies.

EDUCATION:

2001
American University College of Arts and Sciences, Washington, US, Master in Financial Economics.

1995
Al-Farabi Kazakh National University, Bachelor's degree in International Economic Relations.

Aidyn Auyezkanov

Member of the Management Board – Deputy Chairperson of the Management Board

Born in 1977

EXPERIENCE:

From September 15, 2014 to the present day
ForteBank, JSC, Member of the Management Board – Deputy Chairperson of the Management Board.

2013–2014
Alliance Bank, JSC, Managing Director.

2006–2008
ATF Bank, JSC, Managing Director, Member of the Management Board.

2006–2009
ATF Leasing, JSC, Chairperson of the Board of Directors.

2004–2006
ATF Leasing, JSC, President.

2002–2004
Almaty Branch of Halyk Bank of Kazakhstan, OJSC, Deputy Director of the Corporate Business Branch.

1998–2002
EBRD, Small and Mediumsized Business Program, Senior Banking Consultant.

EDUCATION:

2009
Narxoz University, Doctor of Philosophy.

2008
Satbayev University, Development and Operation of Oil and Gas Fields.

1998
Kazakh State Academy of Management *(currently Narxoz University)*, Banking.

Gaukhar Bisembieva

Member of the Management Board – Deputy Chairperson of the Management Board

Born in 1976

EXPERIENCE:

From February 27, 2017 to the present day
ForteBank, JSC, Member of the Management Board – Deputy Chairperson of the Management Board.

2015–2017
ForteBank, JSC, Managing Director.

2009–2015
ForteBank, JSC *(former Metrocombank, JSC)*, acting Chairperson of the Management Board, Chairperson of the Management Board, Deputy Chairperson of the Management Board.

2008–2009
BTA Bank, JSC , Executive Director.

2001–2008
TEXAKABANK, OJSC, Director of the Operations Department, Executive Director, Managing Director, First Deputy Chairperson of the Management Board.

1998–2001
Demir Kazakhstan Bank, OJSC, Senior Specialist/ Head of the Customer Service Division.

EDUCATION:

2006
KIMEP University, Master of Business Administration.

1997
Kazakh State Academy of Management *(currently Narxoz University)*.

Committees under the Management Board

DIGITALIZATION AND ECOSYSTEM COMMITTEE

Profile: A collegial body of the Bank established to consider certain issues related to projects aimed at transforming the Bank, achieving the Bank's strategic goals, developing business processes and digital technologies and expanding the Bank's ecosystem in order to increase its productivity and enhance customer experience.

HEAD OFFICE CREDIT COMMITTEE *(HOCC)*

Profile: A standing collegial body of the Head Office that implements the Bank's development strategy and credit policy.

ASSET AND LIABILITY MANAGEMENT COMMITTEE *(ALMC)*

Profile: A standing collegial body of the Bank involved in shaping and implementing the Bank's asset and liability management policy.

TARIFF COMMITTEE

Profile: A standing collegial body of the Bank that reviews and implements the Bank's fees and rates policy..

BUDGET COMMITTEE

Profile: An authorized collegial body of the Bank responsible for budget and budgetary discipline management..

OPERATIONS COMMITTEE

Profile: A standing collegial body of the Bank that coordinates the management of the Bank's internal business processes.

QUALITY CONTROL COMMITTEE

Profile: A standing collegial body of the Bank in charge of improving the quality of services rendered and customer experience offered by the Bank.

HEAD OFFICE COMMITTEE FOR PROBLEM DEBTS *(HO CPD)*

Profile: A standing collegial body of the Bank that arranges, ensures and supervises collection of problem debts.

HEAD OFFICE SMALL COMMITTEE FOR PROBLEM DEBTS *(HO SCPD)*

Profile: A standing collegial body of the Bank under the Head Office Committee for Problem Debts that arranges, ensures and supervises collection of problem debts..

HEAD OFFICE CREDIT COMMITTEE FOR SMALL AND MEDIUM-SIZED BUSINESS *(CCSMB)*

Profile: A standing collegial body of the Head Office that implements the Bank's credit policy and development strategy for small, medium-sized and corporate businesses in lending, whose powers are limited and approved by HOCC.

HEAD OFFICE SMALL CREDIT COMMITTEE FOR SMALL AND MEDIUM-SIZED BUSINESS *(HO SCCSMB)*

Profile: A standing collegial body of the Head Office that implements the Bank's credit policy and development strategy for small and medium-sized businesses in lending, whose powers are limited and approved by the CCMSB.

HEAD OFFICE CREDIT COMMITTEE FOR RETAIL BUSINESS *(CRB)*

Profile: A standing collegial body of the Head Office that implements the Bank's credit policy and development strategy for retail businesses in lending, whose powers are limited and approved by the HOCC and the Management Board.

INFORMATION SECURITY COMMITTEE

Profile: A standing collegial coordinating body of the Bank that promotes implementation and development of the Bank's information security management system, making managerial decisions on information security tasks and implementation of information security projects.

Members of the Management Board are also members of the key Committees under the Management Board:

B. Pirmatov
Digitalization and Ecosystem Committee, HOCC, Information Security Committee

A. Dykanbayeva
Digitalization and Ecosystem Committee, ALMC, Budget Committee

A. Auyezkanov
HOCC, Tariff Committee Head Office Committee for Problem Debts *(HO CPD)*

G. Bissembiyeva
Digitalization and Ecosystem Committee, Operations Committee, Information Security Committee

Activities of the Management Board and its Committees

In 2022, 129 meetings of the Management Board were held with

826 issues revised

The Committees of the Management Board held a total of 1,104 meetings with

4,733 issues revised

Activities of the Management Board and its Committees in 2022

Authorized collegial body	Number of meetings held	Number of issues addressed
Management Board	129	826
Asset and Liability Management Committee *(ALMC)*	110	342
Tariff Committee	78	319
Budget Committee	110	332
Operations Committee	74	242
Quality Control Committee	12	28
Head Office Committee for Problem Debts *(HO CPD)*	24	221
Head Office Small Committee for Problem Debts *(HO SCPD)*	33	383
Head Office Credit Committee	133	329
Head Office Credit Committee for Small and Medium-sized Business *(CCSMB)*	141	644
Head Office Small Credit Committee for Small and Medium-sized Business *(HO SCCSMB)*	187	916
Head Office Credit Committee for Retail Business *(CRB)*	160	884
Information Security Committee	3	5
Digitalization and Ecosystem Committee	39	88

REMUNERATION OF EXECUTIVES

The Bank's executive remuneration policy is implemented under the law of the Republic of Kazakhstan and the Bank's Articles of Association.

In 2022, the total amount of remuneration due to 11 members of the Board of Directors and the Management Board *(13 members in 2021)*, that was included in the General and Administrative Expenses for 2022 and 2021, amounted to KZT 5,870 mln *(KZT 4,502 mln in 2021)*, taking into account the amount of the corresponding taxes.

INFORMATION ON MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

In 2022, the Bank concluded no major or related-party transactions.

ANTI-CORRUPTION MEASURES

According to the Corporate Governance Code, the Bank adheres to the principle of rejecting corruption in any form and manifestation. All employees and officials of the Bank, as well as any third party acting on behalf and/or in the interests of the Bank, are prohibited from giving and accepting gifts, rendering the Bank's services to other persons to provide them with material benefits or advantage in receiving the Bank's services by other persons, demanding money or gifts from customers and partners, and creating conditions for committing corrupt actions.

COMPLIANCE CONTROL SERVICE

In its activities, the Compliance Control Service is guided by the applicable law of the Republic of Kazakhstan and is accountable to the Chief Compliance Controller. Employees of the Compliance Control Service possess qualifications, experience and professional qualities sufficient to perform compliance risk management and AML/CFT functions.

Corporate conduct norms and principles

PRINCIPLES:

- To protect rights and interests of the Bank's employees, customers and partners;
- To adhere to corporate ethics and prevention of discrimination in any form;
- To prevent and resolve corporate conflicts;
- To act in good faith;
- To organize and coordinate the Bank's risk management;
- To ensure transparent and fair disclosure of public information on the Bank's activities.

NORMS:

- Responsibility for compliance with applicable law;
- Non-disclosure of confidential and other information protected by law *(trade, official and banking secrets)*;
- Compliance with the principles of corporate ethics;
- Building relations with customers, partners and employees taking into account the Bank's interests;
- Preventing employees from using their powers, related opportunities and relationships for personal gain in violation of applicable law and the Bank's internal documents;
- Countering fraud, as well as money laundering and financing of terrorism;
- Reporting known cases of the Bank's involvement into suspicious and/or illegal schemes of money laundering or fraudulent transactions;
- Reporting violations committed in the course of the Bank's operations.

COMPLIANCE CONTROL SERVICE

In its activities, the Compliance Control Service is guided by the applicable law of the Republic of Kazakhstan and is accountable to the Chief Compliance Controller. Employees of the Compliance Control Service possess qualifications, experience and professional qualities sufficient to perform compliance risk management and AML/CFT functions.

In 2022, the Compliance Control Service implemented a number of measures, including those aimed at improving compliance processes:

- identified and assessed compliance risk threats/events, identified causes of violations/deficiencies and implemented corrective measures;
- developed a groupwide system for compliance and AML/CFT risk management, including coordination of relevant activities within the Bank's subsidiaries;
- maintained the Bank's compliance risk exposure at an acceptable *(medium)* level;
- arranged and supported the assessment of the Bank's AML/CFT system by an external consultant for compliance with the international standards and best practices;
- revised and updated internal compliance documents taking into account the applicable law and existing processes;
- successfully passed supervisory assessments initiated by the regulator, including remote quality verification of the Bank's assets and supervisory assessment in accordance with the risk assessment system and Supervisory Review and Evaluation Process *(SREP)* methodology;
- improved/automated AML/CFT processes;
- implemented bank checking for international payments *(incoming and outgoing payments)* to comply with the Bank's sanctions policy.

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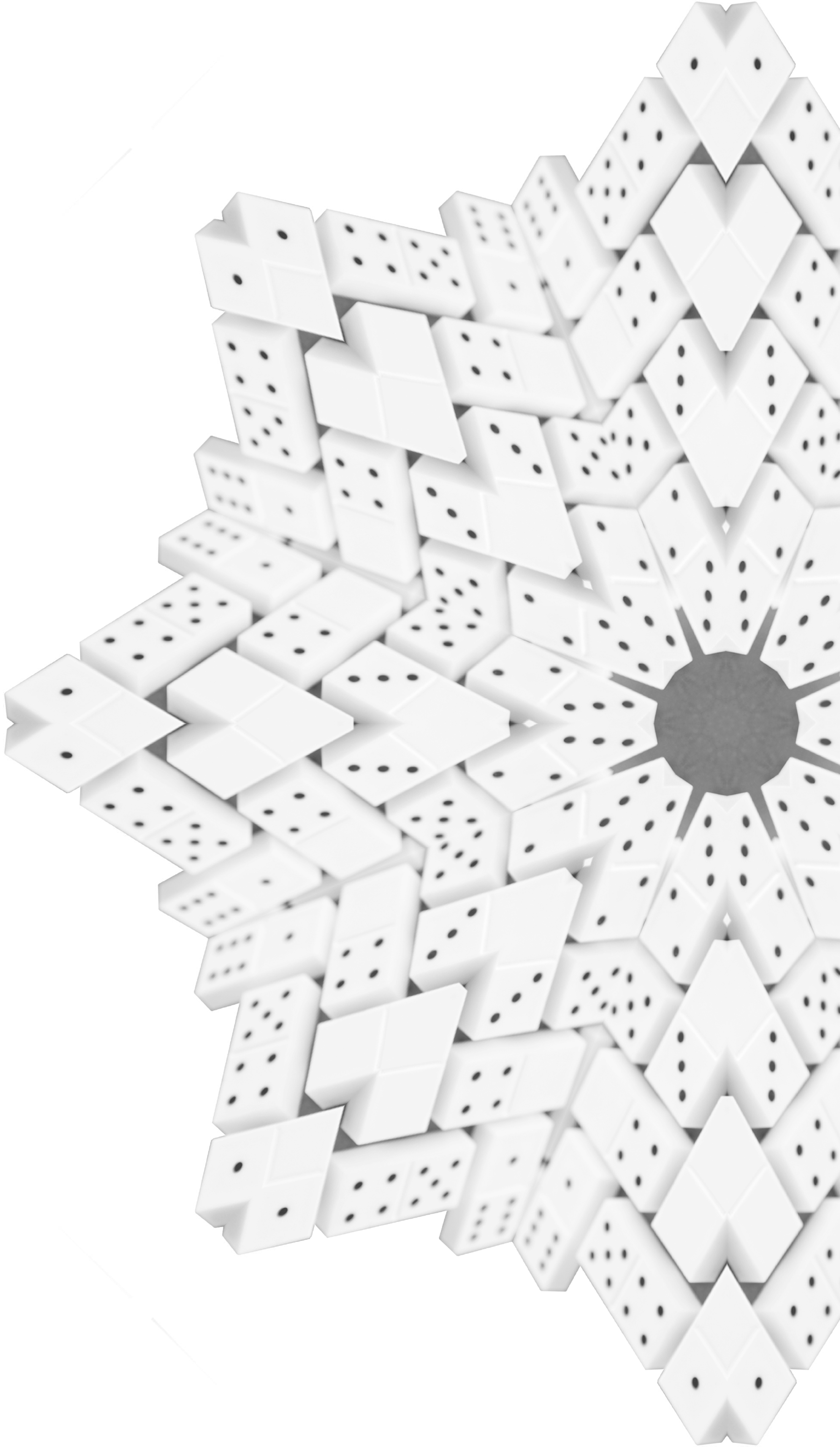
These processes were implemented under the applicable law of the Republic of Kazakhstan and international standards for compliance risk management and AML/CFT.

In 2022, the regulator imposed four administrative penalties on the Bank, including two for submitting inaccurate information to the credit bureau, one for violating the legal requirements for non-cash payments and/or money transfers, and one for violating the currency control legislation. More details on the administrative offenses are available on the AFM's official website.



Compliance risk

Compliance risk is managed at all levels of the Bank's management, from the Board of Directors, the Management Board and the Compliance Control Service to each individual employees of the Bank.

TO BUILD AN EFFICIENT COMPLIANCE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM, THE BANK IS COMMITTED TO THE DEVELOPMENT OF COMPLIANCE CULTURE BASED ON THREE LINES OF DEFENSE:

THE FIRST LINE OF DEFENSE

Is implemented by all employees of the Bank by identifying and detecting compliance risk and reporting it to the Compliance Control Service in a timely manner

THE SECOND LINE OF DEFENSE

Is implemented by the Chief Compliance Officer and the Compliance Control Service, which perform control functions as part of the compliance risk management process

THE THIRD LINE OF DEFENSE

Is implemented by the Internal Audit Service through performance assessment of the compliance risk management system

The Bank applies the following methods to develop and support its compliance culture:

- The Bank's officials and heads of the Bank's structural units *("Tone at the top")* take part in ongoing training on compliance risk and ML/FT risk management in order to communicate their engagement and commitment to the principles of compliance risk management, as well as to make other employees more engaged in the processes of detecting flaws/violations themselves;
- The Bank implements the applicable legal requirements to its internal documents and processes taking into account the current market situation, the Bank's strategy, the scale and complexity of banking operations, as well as the principles of professional ethics and business communication standards that determine ethical business approaches and regulate the actions of the Bank's employees and officials;
- The Bank ensures that all its employees are familiar with its internal documents and the applicable laws of the Republic of Kazakhstan;
- The Bank's collegial bodies are duly informed on compliance risk threats and events;
- The Bank maintains the ForteComplianceSchool regular column on its internal resources, where it reviews issues related to the development of the compliance culture, including the group level, improvement and digitalization of compliance risk management processes and AML/CFT, as well as corrective measures.

A key task of the Compliance Control Service is to ensure that the Bank complies with the applicable law of the Republic of Kazakhstan when implementing the Policy on anti-money laundering and countering terrorism financing.

The events of 2022 *(the "January" events in the Republic of Kazakhstan)* and the geopolitical situation *(including international sanctions)* had a significant impact on the banking sector and on the nature of the Compliance Control Service operations. It had to make a series of prompt management decisions, tighten internal procedures and conduct a more thorough and indepth analysis of customer transactions. In particular, it revised the Bank's sanctions policy and enhanced KYC procedures, which were aimed mainly at automation and optimization of AML/CFT processes.

In addition to responding to external challenges, the Compliance Control Service actively contributed to FATF Mutual Evaluation of the Republic of Kazakhstan *(EAG)*.

The Bank has in place and adheres to all necessary procedures governing AML/CFT issues, including those for due diligence of customers *(their representatives)* and beneficial owners.

If the customer due diligence cannot be performed, the Bank does not establish any business relations or make transactions with such a customer, and if there are previously established business relations with the customer, the Bank may decide to terminate them.

In case of suspected money laundering or financing of terrorism, the Bank has the right to inform the authorized government body before making the banking transaction.

INTERNAL AUDIT

The internal audit at the Bank is arranged and conducted by the Internal Audit Service *(IAS)*, which is directly subordinate and accountable to the Board of Directors. The Internal Audit Service operations are supervised by the Audit Committee under the Board of Directors.

IAS operations are guided by the law of the Republic of Kazakhstan, the Bank's internal documents and the International Standards for the Professional Practice of Internal Auditing. The internal audit aims to provide the Board of Directors with independent and unbiased information for the efficient management of the Bank, as well as to implement a systematic approach to improving the Bank's risk management, internal control and corporate governance systems. IAS focuses on three areas: internal audit, internal audit monitoring and methodology, and IT audit. IAS' employees have the knowledge, skills and competences required to perform their duties and are qualified to apply internal audit procedures, methods and standards.

According to the annual audit plan for 2022, approved by the Board of Directors, IAS completed 16 audit tasks and three unscheduled tasks, having also held two consultations on the Bank's business processes. As part of the scheduled tasks, IAS assessed internal processes and risks inherent in the Bank's activities, including:

- performance assessment of the risk management and internal control system;
- efficiency assessment of the Bank's policies and procedures;
- reliability assessment of the accounting and information system;
- accuracy and integrity assessment of the management reporting systems;
- safety assessment of assets and equity.

Based on the audit results, IAS generates recommendations for the Bank on how to improve its operations and optimize its business processes. In the reporting year, IAS implemented the following measures:

- continuously monitored measures, which had been proposed based on the internal audit results, with notification of the Board of Directors about significant flaws in the internal control system and the status of corrective actions taken by the Bank's management to eliminate the identified flaws and improve the Bank's internal control and risk management procedures;
- updated the "Action Plan" automated business process, encompassing the Bank's information systems;
- updated the internal audit methodology in accordance with recommendations of an independent external consultant;
- ensured continuous professional development of internal auditors.

EXTERNA AUDIT

The audit organization responsible for auditing and reviewing the Bank's financial statements is assigned by the Annual General Meeting of Shareholders.

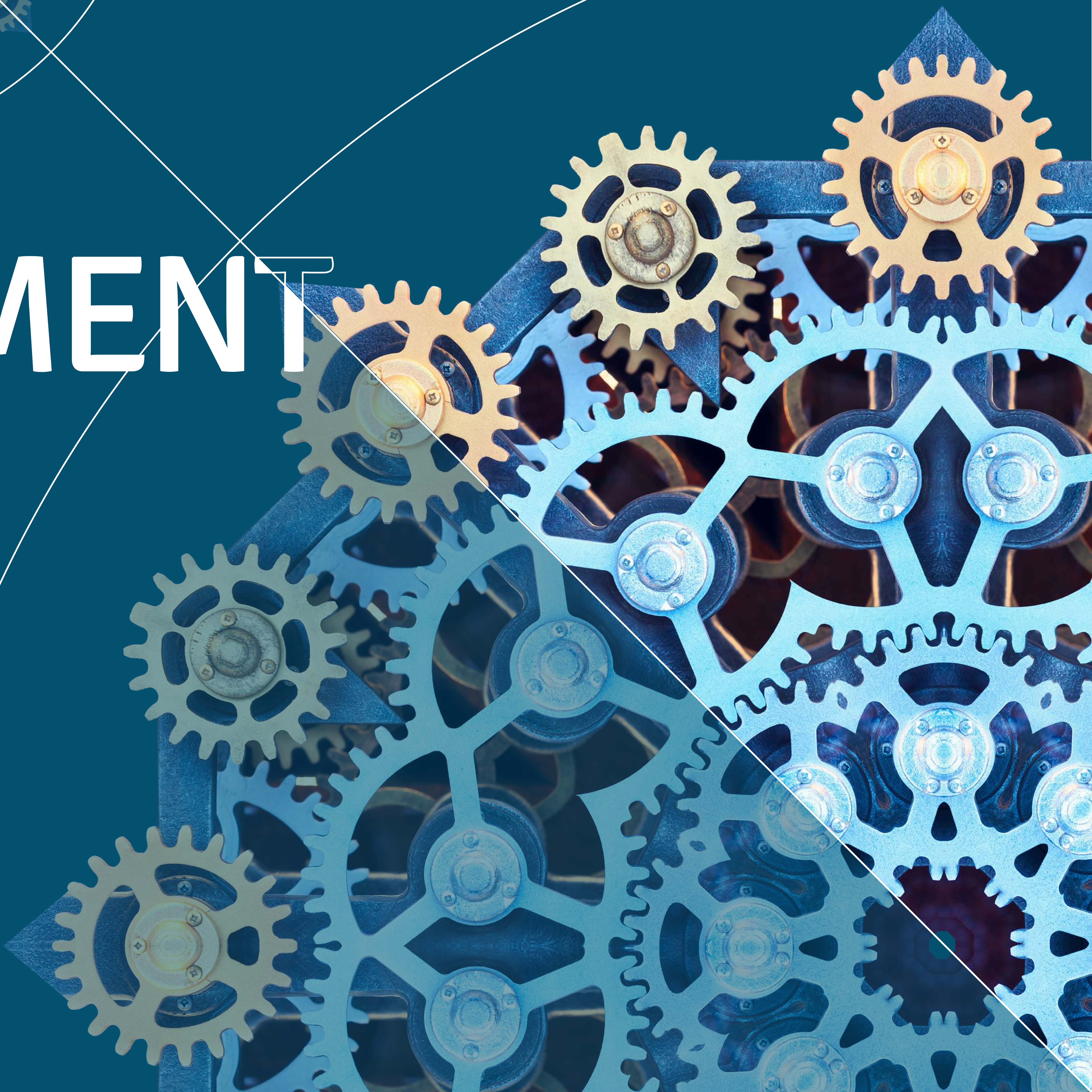
From 2015, based on the decisions of the Annual General Meeting of Shareholders dated March 14, 2015, and May 4, 2020, audit services to the Bank were provided by Ernst & Young, LLP, including the audit of the financial statements for 2022.

On December 28, 2022, the Extraordinary General Meeting of Shareholders approved KPMG Audit LLP as the audit organization to review the Bank's financial statements for 2023–2025.

05 RISK MANAGEMENT

4.5 % NPL 90+ days

1.26 k4 liquidity ratio



RISK MANAGEMENT SYSTEM

The basic risk management principles are set out in the Bank's Risk Management Policy and the Risk Appetite Strategy. The procedure for identifying risk types the Bank is exposed to in order to detect weaknesses and prioritize subsequent actions within the risk management system is defined in the Risk Map in accordance with the Bank's Risk Management Policy.

An essential part of the integrated risk management system is the risk culture shaped by the Bank, which is constantly being improved. It aims to cultivate personnel behavior that enables the employees to openly discuss and respond to existing and potential risks, demonstrating their intolerance to ignoring risks.

While implementing the Development Strategy, the Bank determines whether the risk profile of a potential transaction is compliant to the regulatory requirements of the National Bank of Kazakhstan and AFM, as well as to intra-bank limits at the time when it decides to make the banking transaction.

Risk profile assessment along with the Bank's position in the financial market and the impact of a particular risk factor on the financial result from banking operations, reflected in the Bank's Development Strategy, form the Bank's risk appetite.

A NUMBER OF EVENTS IN 2022 HAD A SIGNIFICANT IMPACT ON THE LEVEL OF RISKS THE BANK IS EXPOSED TO IN THE COURSE OF ITS OPERATIONS. THE RISKS INCREASED DUE TO THE FOLLOWING DEVELOPMENTS:

- the continued spread of COVID-19 in early 2022;
- the "January" events related to protests involving Kazakhstan's citizens, which gradually turned into riots and forced the government to introduce a state of emergency, resulting in partial suspension of businesses and the Bank;
- the Russia-Ukraine conflict and the subsequent sanctions against Russia, which had a negative impact on the economy of Kazakhstan.

The "January" events disrupted the creditworthiness of many SME that suffered from pogroms in large cities. The Bank joined the state support measures for affected business entities, granting these a grace period for loan repayments.

In 2022, the Bank introduced an internal economic capital model based on the in-house statistics, enabling more accurate calculation of capital required to cover the negative impact of risky operations. The adoption and use of this model provide the Bank with the following advantages:

- The ability to differentiate final rates on products according to the risk level of certain transactions and the risk impact on the Bank's capital in a more accurate manner;
- All stakeholders are aware of the Bank's risk profile and capital adequacy, which enhances the trust of its creditors and investors;
- The Bank is developing an appropriate high-quality in-house process for capital adequacy assessment, which ensures transparent methodology and reporting, improving bank reliability metrics *(including capital adequacy indicators)*, and therefore contributes to upgrading the Bank's international and local ratings;
- The incentive system for business unit employees is in line with accepted and potential risks borne due to transactions, which establishes long-term incentives for making decisions on transactions according to the risk level.

In 2022, the Bank was among the first banks in Kazakhstan to complete the Asset Quality Review *(AQR)* Action Plan 2019, based on assessment of data, policies and procedures for credit risk management, development of quality control processes for assessing collateral and property on the Bank's balance sheet, business planning, budgeting, and strategy development, and improving accounting policies and rules. In implementing the Action Plan, the Bank considered amendments made to the banking laws of the Republic of Kazakhstan in terms of tightening the provisions *(reserves)* requirements in accordance with the International Financial Reporting Standards, as well as the legal requirements of the Republic of Kazakhstan for accounting and financial reporting *(taking into account the probability of default (PD) criteria, definitions of loan restructuring types, and calculation of expected credit losses)*. In particular, the Bank adjusted impairment triggers and the loan restructuring criteria, amended the provisioning methodologies, updated the processes of borrower solvency analysis and preparation of financial and regulatory reporting, as well as revised its business planning, budgeting and pricing processes. To comply with AQR requirements, the Bank improved and applied a model considering the expected losses in case of borrower default *(LGD – Loss given default)*. The implementation of the Asset Quality Assessment *(AQR)* Action Plan enabled the Bank to improve credit risk management and increase the accuracy of provisions calculation.

RISK MANAGEMENT BODIES

BOARD OF DIRECTORS

Areas of competence:

To supervise proper functioning of the risk management system *(including key risks)*, to approve risk management policies and procedures, to approve major transactions.

MANAGEMENT BOARD

Areas of competence:

To monitor the risk management process and implement risk mitigation measures, to supervise the Bank's activities considering the established risk limits.

SYSTEM OF CREDIT COMMITTEES

Areas of competence:

To manage credit risks *(to make the Bank's decision-making process more efficient, a hierarchy of credit committees has been established according to the risk type and risk exposure).*

ALMC

Areas of competence:

To monitor market risks, liquidity risks and credit risks related to the counterparties and country risks, both in terms of the entire portfolio and in terms of individual transactions.

OPERATIONS COMMITTEE

Areas of competence:

To monitor operational risks, including information technology and information security risks.

RISK MANAGEMENT SERVICE

Areas of competence:

To provide overall risk management and control over compliance with the current law of the Republic of Kazakhstan, as well as over the application of general principles and methods for detection, assessment, management and preparation of reports on financial and non-financial risks.

The Head of the Risk Management Service reports directly to the Chairperson of the Management Board and indirectly to the Board of Directors. The Service consists of three departments focused on strategic risks, credit risks and collaterals, respectively.

ORGANIZATION STRUCTURE OF THE RISK MANAGEMENT SERVICE

Strategic Risk Function

Manages market risks *(interest rate risk, currency risk, price risk)*, liquidity risk, country and counterparty risk, operational risks, information technology risks, and information security risks, also on a consolidated basis;

Calculates provisions *(reserves)* under IFRS, including control over provisioning and provisions calculation on a consolidated basis.

Credit Risk Function

Minimizes risks at the stage of making decisions on funding corporate customers, SME, retail business and premium banking.

Collateral Function

Monitors and minimizes risks related to collateral assessment in all segments of the Bank's business, as well as balance sheet assets of the Bank and its subsidiaries.

MATERIAL RISKS

Credit risk

Among the risk types the Bank is exposed to is credit risk, or the probability of losses arising from the borrower's or counterparty's failure to fulfill their obligations under the bank loan agreement.

The Bank has developed credit risk management policies and procedures *(both for recognized financial assets and unrecognized contractual obligations)*, including requirements for defining and complying with credit risk concentration limits, as well as by establishing credit committees whose functions include active credit risk monitoring.

The credit policy provides for:

- the procedures for review and approval of credit applications;
- the methodology for assessing the creditworthiness of borrowers *(corporate and retail custoers)*;
- the methodology for assessing the creditworthiness of counterparties, banks and insurance companies;
- the methodology for evaluating proposed collaterals;
- credit documentation requirements;
- the procedures for ongoing monitoring of loans and other products bearing credit risks.

Credit risk management at the Bank is carried out on a consolidated basis, including:

- credit risk limitation using the current system of internal limits, as well as limits compliant to mandatory standards and other requirements of the regulator, with mandatory regular revision and approval by authorized collegial bodies;
- credit risk analysis at the stage of credit applications review and by taking timely measures in case credit risk factors are identified in the course of the monitoring;
- credit risk minimization by means of collateral acceptance and insurance, establishment of an adequate credit risk charge and formation of sufficient provisions for possible losses on the loan portfolio, securities portfolio and interbank loan portfolio;
- credit risk level control as part of regular monitoring of the loan portfolio *(loan portfolio analysis, monitoring, conclusions, and recommendations)*, individual customers, transactions and collateral, as well as by assessing credit risk assumed by the Bank for counterparties.

The Bank applies the following basic credit risk assessment methods:

- customer creditworthiness determination based on the analysis of financial and non-financial performance indicators and expert reviews *(preliminary selection of customers in accordance with the credit rating, consideration of project ratio analysis standards)*. Retail credit risks are assessed using scoring models and automated credit decision-making procedures, as well as by verification/expert review of customer data *(financial standing, social parameters, credit history information of the customer)*;
- concentration analysis of credit risks assumed by the Bank for individual borrowers *(groups of related borrowers)*, industries, countries, customer segments, credit product types;
- identifying and monitoring distressed borrowers *(Watch list)*;
- implementing quality assessment procedures for loans and collateral; assessment of risks associated with new banking products offered by the Bank;
- assessment of possible losses due to credit risk realization as part of the process of calculating and forming provisions for possible losses *(in accordance with the regulator's requirements and IFRS standards)*;
- stress testing of loan portfolio losses under various macroeconomic scenarios.

The core types of credit risk limits and restrictions on a consolidated basis include:

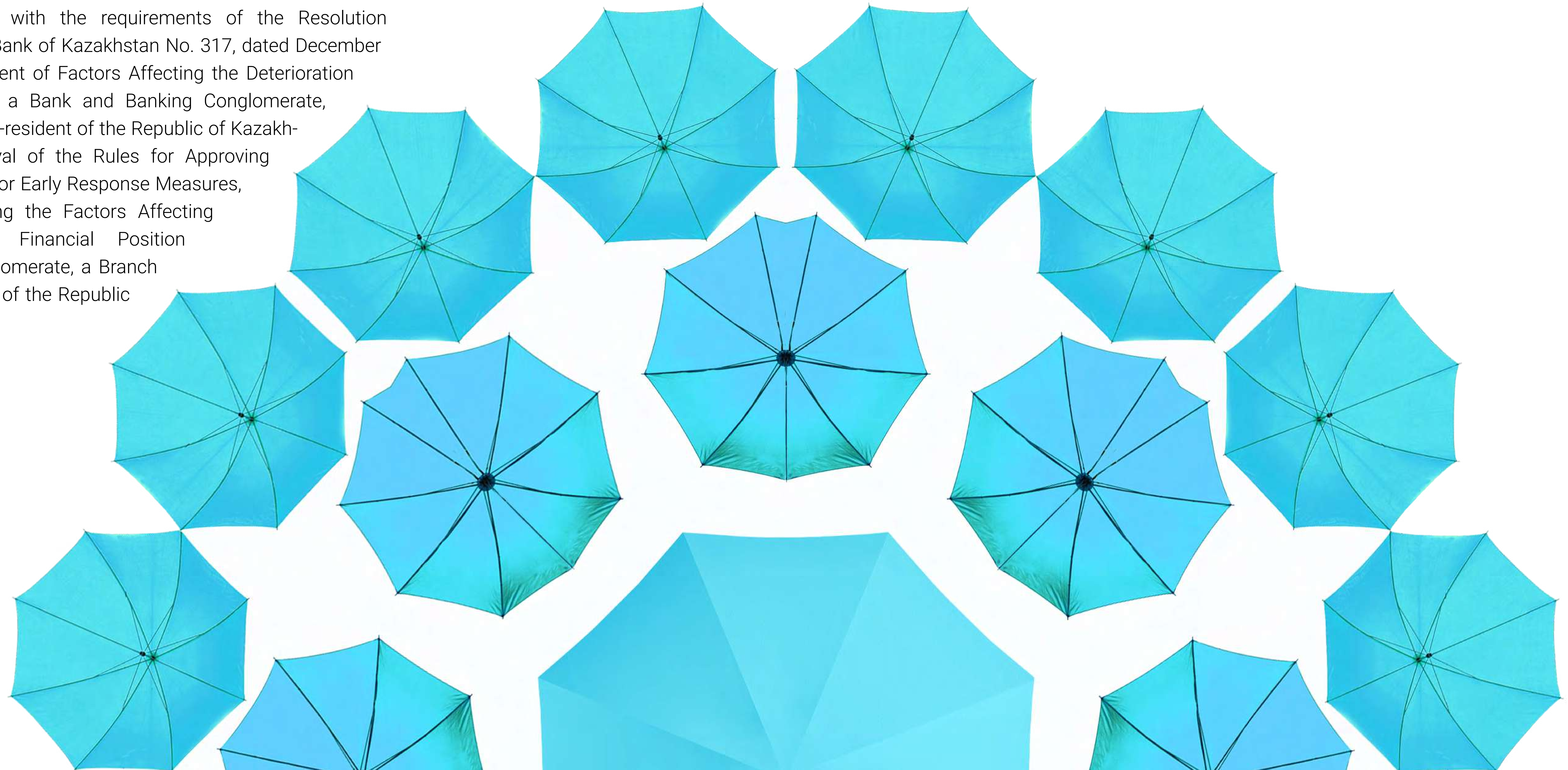
- allowable *(aggregated)* credit risk;
- credit limits that restrict credit risk concentration *(applicable to currencies, countries, business categories and products, economic sectors, types of collateral)*:
- credit limits on decision-making powers *(applicable to credit committees, problem debt committees)*;
- prohibition on financing borrowers from the list set forth in the Bank's internal documents;
- mandatory participation in the Credit Committee of at least two members, including employees of the Credit Risk Function and the lending unit;
- limits in accordance with the regulator's requirements *(compulsory standards) (limits on a borrower or a group of related borrowers who do (not) maintain especially close relations with the Bank for any type of obligation to the Bank)*;
- monitoring and compliance with the requirements of the Resolution of the Board of the National Bank of Kazakhstan No. 317, dated December 28, 2018, "On the Establishment of Factors Affecting the Deterioration of the Financial Position of a Bank and Banking Conglomerate, a Branch of a Bank Being Non-resident of the Republic of Kazakhstan, as well as the Approval of the Rules for Approving an Action Plan that Provides for Early Response Measures, and Methods for Determining the Factors Affecting the Deterioration of the Financial Position of a Bank and Banking Conglomerate, a Branch of a Bank Being Non-resident of the Republic of Kazakhstan".

Lending to persons maintaining especially close relations with the Bank is provided in strict compliance with the legislation of the Republic of Kazakhstan and the Bank's internal documents. Persons maintaining especially close relations with the Bank shall be determined in accordance with the legislation of the Republic of Kazakhstan.

The basic requirements to borrowers, borrower creditworthiness assessment indicators, lending conditions, rules, processes intended for legal entities and individuals *(individual entrepreneurs)*, including the description of credit process participants and the procedure for their interaction, including information exchange, the procedures for approval and approval of credit instruments, given the specific features of such credit instruments and services, lending form and purpose, as well as the maximum loan amounts, are determined by the relevant internal documents of the Bank governing the Bank's lending activities.

The requirements to professional qualities of employees performing credit functions are set forth in the relevant job descriptions.

Financing all projects, as well as amending existing financing conditions, is only possible based on decisions of the relevant credit committees and the Bank's Board of Directors made for each loan project individually *(if such decisions are necessary)*.



Market risk

Market risk includes currency, interest rate and price risks.

Currency risk

In its activities, the Bank is exposed to foreign exchange rate fluctuations. To minimize this risk, the Bank monitors its open currency positions and analyzes its position on currency revaluation income/expenses; calculates currency VaR in order to estimate the maximum possible losses due to negative revaluation of the Bank's open currency positions and establishes restrictions on open currency positions in accordance with the requirements of the National Bank of Kazakhstan, as well as in accordance with the Bank's internal documents. If the Bank has speculative currency positions, the system of stop-loss/take-profit limits is used.

Interest rate risk

The Bank is exposed to interest rate risk due to adverse changes in market interest rates on its assets, liabilities and off-balance sheet instruments. To manage interest rate risk, the Bank implements the following measures: analysis of gaps in assets and liabilities sensitive to interest rate changes; modified duration analysis and monitoring to assess the absolute sensitivity of the securities portfolio to interest rate changes; calculation of interest rate risk to financial instruments with floating interest rates; interest rate risk limitation.

Price risk

The Bank is exposed to price risk due to adverse changes in the market value of financial instruments. To minimize price risk, the Bank implements the following measures: price VaR calculation in order to estimate the maximum possible losses due to negative market value revaluation of the Bank's securities portfolio; monitoring the accuracy of the securities portfolio value determined for the analysis and control of income/expenses from transactions with financial instruments sensitive to changing market factors; monitoring the Bank's returns on using financial instruments in order to analyze the Bank's income/expenses from purchase/sale and changes in their value as a result of revaluation; using the system of limits, including limits on the securities portfolio structure and limits on investments in securities of an individual bank. If the portfolio includes securities for speculative purposes, the stop-loss/take-profit system is used.

Liquidity risk

Is a risk associated with possible non-fulfillment or untimely fulfillment by the Bank of its obligations. As part as liquidity risk management, the Bank monitors: the implementation of current and quick liquidity ratios, including foreign currency liquidity; liquidity coverage ratio and net stable funding ratio at the regulator's request; compliance with internal regulations in accordance with the Bank's internal documents. In addition, the Bank's monitors maturity mismatches of claims and liabilities *(liquidity gap)* and develops and analyzes scenarios for "stressful" liquidity risk situations.

Country risk

As the Bank mostly operates within the Republic of Kazakhstan, its performance largely depends on the economic and political conditions prevailing in the country. However, the Bank provides financing to non-resident customers through loans *(cash and cashless)* to legal entities and individuals, also performing transactions in the interbank market with non-resident counterparties. This type of credit risk is mitigated by studying the economic and political situation in the countries of investment and setting country limits

The Bank's stability in the event of possible adverse market conditions is regularly assessed through stress testing. Stress testing is done according to the developed scenarios considering changes in the market conditions and the scope of the Bank's activities, actual experience of action in stressful situations, as well as the regulator's recommendations.

Operational risk

Operational risk means probable losses arising from inefficient or insufficient internal processes, the influence of human error or external events, save for strategic and reputational risk:

Operational risk

- risk associated with the Bank's inefficient organizational structure, including lack of certainty in the distribution of responsibilities, accountability structure and management system;
- risk caused by inadequate IT strategies, policies and/or standards, as well as by deficiencies in software use;
- risk associated with obtaining incorrect or incomplete information or misuse of information;
- risk associated with improper personnel management and/or poor qualifications of the Bank's personnel;
- risk associated with inadequate design of business processes or weak control over compliance with the Bank's internal documents and rules;
- risk caused by unforeseen or uncontrollable external factors affecting the Bank's operations;
- risk associated with non-compliance of the Bank's in-house documents with the legal requirements;
- risk associated with the actions of the Bank's employees, which may adversely affect the Bank's operations, as well as fraud risk.

Information technology risk*(s)*

Means probable damage due to the failure *(malfunction)* of information and communication systems operated by the Bank, including poorly designed business processes related to information technology development and operation.

Information security risk*(s)*

Means probable damage due to violation of the integrity, confidentiality and availability of the Bank's information assets due to deliberate destructive actions of the Bank's employees and/or third parties.

Operational risks, information technology risks and information security risks are managed on a consolidated basis in the Bank and its subsidiaries by the following means: collection of statistical data on risk events; risk limitation through development and approval of key risk indicators; determination of the allowable operational risk level based on the VaR limit; scenario analysis and self-assessment of operational risk; development of a risk map; preparation of action plans for detected risk events aimed at prevention of similar cases in the future.

To identify and minimize risks during implementation/modification of products, projects and information systems, the Bank implements the following measures on regular basis: analysis of internal business processes, procedures and statements of work; provision of recommendations on minimizing risks *(including the risk of unauthorized access to the Bank's critical information systems)*; establishing information security requirements; minimizing downtime risk of information resources.

Development of the operational risk management system includes:

- improving the operational risk monitoring mechanisms in the Bank and its subsidiaries as part of the Bank's Risk Appetite Strategy;
- standardization of methodological approaches regarding management of operational risks, information technology risks and information security risks at the level of the Bank and subsidiaries;
- further development of the methodology and the unified system of operational risk management in the Bank and its subsidiaries;
- improvement of regulatory reporting.

The Bank carries on with promotion of the risk assessment culture among employees, involving everyone in the risk management process *("each employee is a risk manager")*. To achieve this, trainings are conducted on an ongoing basis, and each new employee is familiarized with the operational risk management system.

Risk of collateral and assessment of the Bank's non-core assets

Means the probability of loss or damage to a pledged item/non-core asset of the Bank or impossibility of its sale *(including in case of foreclosure)* within a certain period at a certain price covering the loan debt/balance sheet debt.

The collateral risk management system includes:

- implementation of and updates to policies and methods governing the liquidity and value assessment methodology applied to assets to be valued, pledged or owned by the Bank;
- automated evaluation/revaluation processes considering the standardized methodology and current market data; gradual elimination of human error from the assessment procedures, especially in case of homogeneous assessment types;
- a monitoring system for the basic quality indicators of data on pledged assets with automatic notification of responsible persons in the event of triggers to carry out remote inspections;
- automatic formation and control of following the schedule for revaluation of the Bank's collateral for individually significant loans considering periodic inspections of the collateral;
- enhanced contracts with independent appraisers, including the Bank's/regulator's basic assessment requirements;
- a continuous staff training system that includes annual workshops involving professional independent appraisers/chambers of appraisers.

06 SUSTAINABLE DEVELOPMENT

3,736 employees
the Bank's headcount

> 50 %
the share of women in managerial positions

In 2022, the Bank initiated large-scale changes aimed at harmonizing its activities with sustainable development principles. In April 2022, a task force on sustainable development was established, consisting of over 40 key employees representing various lines of the Bank's business. To coordinate its activities, external consultants were involved, including international experts in ESG and sustainable development. At the initial stage, the Bank's management and employees were trained in ESG and sustainable development and reviewed current international ESG and sustainable development practices.

Together with the experts, the task force conducted a GAP analysis of the Bank's current business processes and internal documents for compliance with the ESG and sustainable development principles and identification of growth zones.

The task force identified key stakeholder groups that both influence the Bank's operations and are influenced by them. Efficient communication with stakeholders enables the Bank to use its resources in a more efficient manner in order to achieve strategic goals in sustainable development. The Bank aims to develop together with its stakeholders, consider the impact it has on them and act responsibly to increase stakeholder satisfaction and their loyalty to the Forte brand.

Based on dialogues with stakeholders and using the concept of double materiality *(taking into account ESG risks and opportunities)*, the Banks identified priority topics and key indicators of sustainable development that could have a significant impact on its operations and financial performance. The Bank's priority sustainable development topics comply with the international GRI, SASB and TCFD standards.

The list of priority topics includes 22 topics, where two cover environmental protection, nine cover corporate governance and eleven cover social policy. Based on that list, the Bank identified goals to be achieved as part of its ESG strategy.

IN ADDITION TO IDENTIFYING PRIORITY TOPICS AND BUILDING INTERNAL BUSINESS PROCESSES, THE BANK JOINED TWO INITIATIVES RELATED TO THE IMPLEMENTATION OF THE ESG AGENDA:

1. A global initiative – Closing the Gender Gap Accelerator, a gender equality program run by the World Economic Forum

2. National ESG Club that brings together Kazakhstan leaders in ESG transformation

LABOR PRACTICES

Striving to be an attractive employer, ForteBank is actively developing its HR management system in accordance with changing socioeconomic conditions and the situation on the labor market. The Bank's personnel policy is based on the current law of the Republic of Kazakhstan and aims to maintain the quantitative and qualitative characteristics of the personnel at a level that ensures uninterrupted current operations and achievement of the Bank's strategic goals.

The Bank's corporate governance is based on the need to protect the rights of its employees enshrined in the national law and is aimed at building partnerships between the Bank and its employees in addressing social issues and regulating working conditions. The Bank's personnel policy prioritizes creating more comfortable working conditions at the Bank, complying with the norms of social protection of employees and further increasing the Bank's social responsibility to its employees. The Bank has established uniform standards for HR management, personnel selection, training and evaluation processes, personnel remuneration and social support, ensuring employee satisfaction with their working conditions, as well as standards for preparing unbiased and complete HR reporting in the Bank.

The Bank's HR management is based on the principles of legality, fairness, equality, openness, promptness, objectivity, non-discrimination, human resources enhancement, initiative and innovation promotion, and individual responsibility.

In 2017, the Bank established the Conciliation Commission to settle labor disputes with employees, whose competences include

- recovery of wage arrears;
- changing the employment contract terms;
- disciplinary actions;
- reinstatement of employment;
- guarantees and compensations provided for by labor laws, agreements and/or the employment contract;
- other disputes under the law of the Republic of Kazakhstan.

In 2022, no cases of violation of employees' rights or signs of discrimination were recorded.

In 2022, the Bank's Conciliation Commission registered and considered one appeal on reinstatement after involuntary termination of the employment contract. Following the meeting of the Conciliation Commission, the applicant was denied reinstatement.

The process of selecting candidates for vacant positions is focused on identifying whether they have qualifications, personal qualities and abilities corresponding to the specifics of a particular position and the Bank's corporate culture. To this end, the Bank's Human Resource Department applies modern psychological tests in recruitment. Since 2020, the Bank has been using a comprehensive selection procedure that includes panel interviews, reviewing recommendation letters, **SHL ability tests and OPQs**. Testing and interview results are summarized in a recruitment matrix approved by the Bank's Management Board.

Forte pays close attention to the onboarding of new employees, which consists of the following important elements:

- an online beginner's guide available on MS Teams platform;
- the Onboarding of New Hires section of the Bank's distance learning system;
- a "welcome box" given to all new hires when starting work;
- the Customer Day - an online event for new hires;
- business breakfasts involving the Bank's leader and new hires.

In addition, the Bank took the following measures to improve its HR management system:

- created and scaled a single CV database for the Head Office and branches as part of the E-Staff electronic recruiting platform;
- standardized job descriptions in ads posted on social media;
- developed Forte Next Generation, a university engagement program;
- automated the preparation of reports on staff turnover, actual number of employees and personnel movement;
- automated the preparation of job status reports on WebSoft platform.
- automated nine core HR processes in the Bank's information systems;
- applied robotic automation to a number of standard personnel measures, such as timesheet reconciliation, extension of employment contracts, transfer of data on hired and transferred employees to enbek.kz government portal.

PERSONNEL STRUCTURE AND HEADCOUNT

As of the end of 2022, the Bank's headcount was 3,736 employees, including top management represented by four employees who are members of the Management Board, as well as employees equivalent to managerial personnel *(0.4% of the total staff).*

The Head Office's personnel consisted of 1,299 employees *(34.8% of the total staff), while the staff of branches comprised 2,437 employees (65.3% of the total staff).* The average work experience of the Bank's employees is 4.6 years. As of the specified date, civil law contracts for rendering services were concluded with 143 persons.

In 2022, the actual number of employees decreased by 2% from 3,821 to 3,736 people against the planned headcount of 4,125 FTEs, including vacant positions. The staffing occupancy rate fell from 94.3% to 92.6%.

The Bank's average staff turnover decreased by 4% and amounted to 25% at the end of 2022 against 29% in 2021. The staff turnover in the Bank's branches is significantly higher compared to the Head Office *(29.2% vs 18.5%)*.

At the end of the reporting year, the share of women in the Bank's personnel was 65.5% *(64.9% in 2021)*, with branches slightly ahead of the Head Office in terms of this indicator *(71.2% vs 55.7%)*. The share of women in managerial positions amounted to 50.4% for the entire Bank *(49.3% in the Head Office, 50.7% in the branches)*. The share of women on the Management Board is 50% *(2 out of 4 members, including the First Deputy Chairperson of the Management Board)*.

With the average monthly wage of KZT 406.2 thousand, male employees earn KZT 512.2 thousand, and female employees earn KZT 350.3 thousand on average. The gap between the average wages of men and women is linked to the fact that, with equal representation in the leadership, the proportion of women is significantly higher in ordinary positions with lower remuneration.

As for the age structure of the personnel, employees aged between 30 and 50 are the largest group, which is 64.2% of the total number of employees. The representation of this group in the leadership is 83.4%. This group also prevails in top management *(100%)*.

Employees under 30 account for 27% of the Bank's total headcount. The share of this age group among executives is quite low *(3.9%)*.

The share of employees over 50 in the Bank's personnel structure is only 8.9%, but their representation in the leadership is slightly higher at 12.7%.

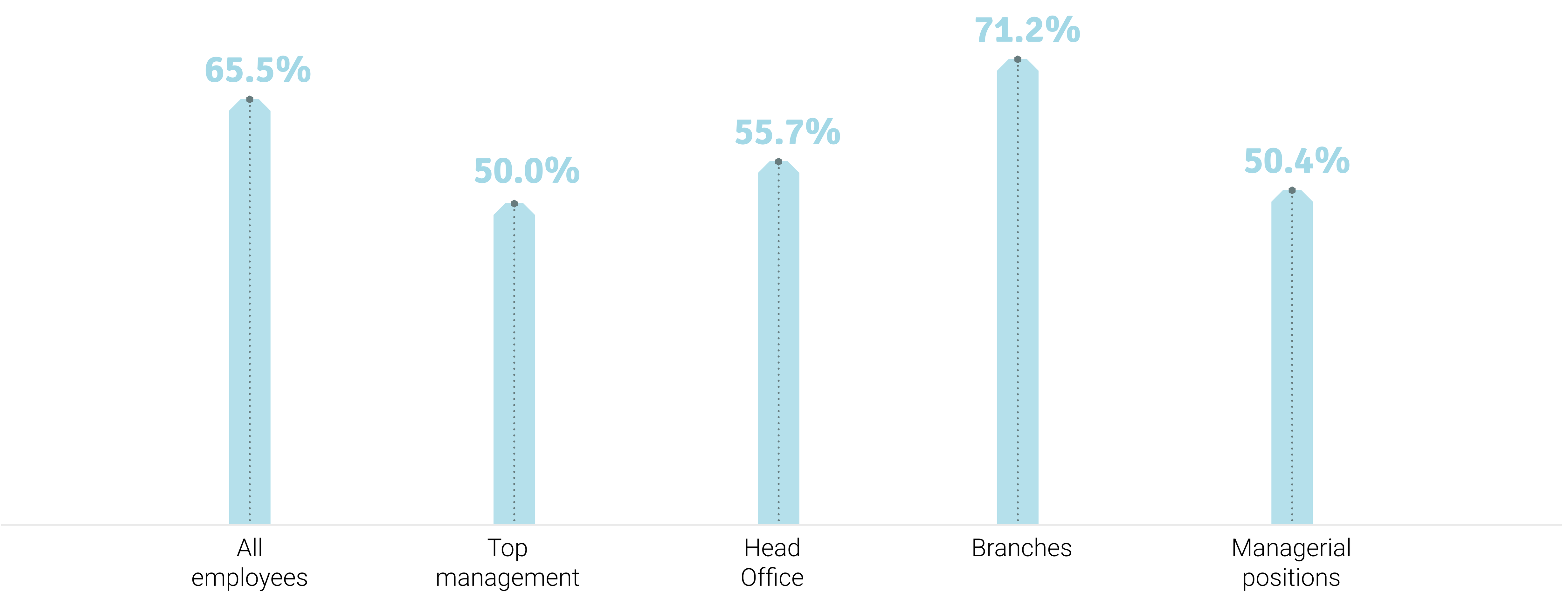
3,736 **employees**

The Bank's headcount as of the end of 2022

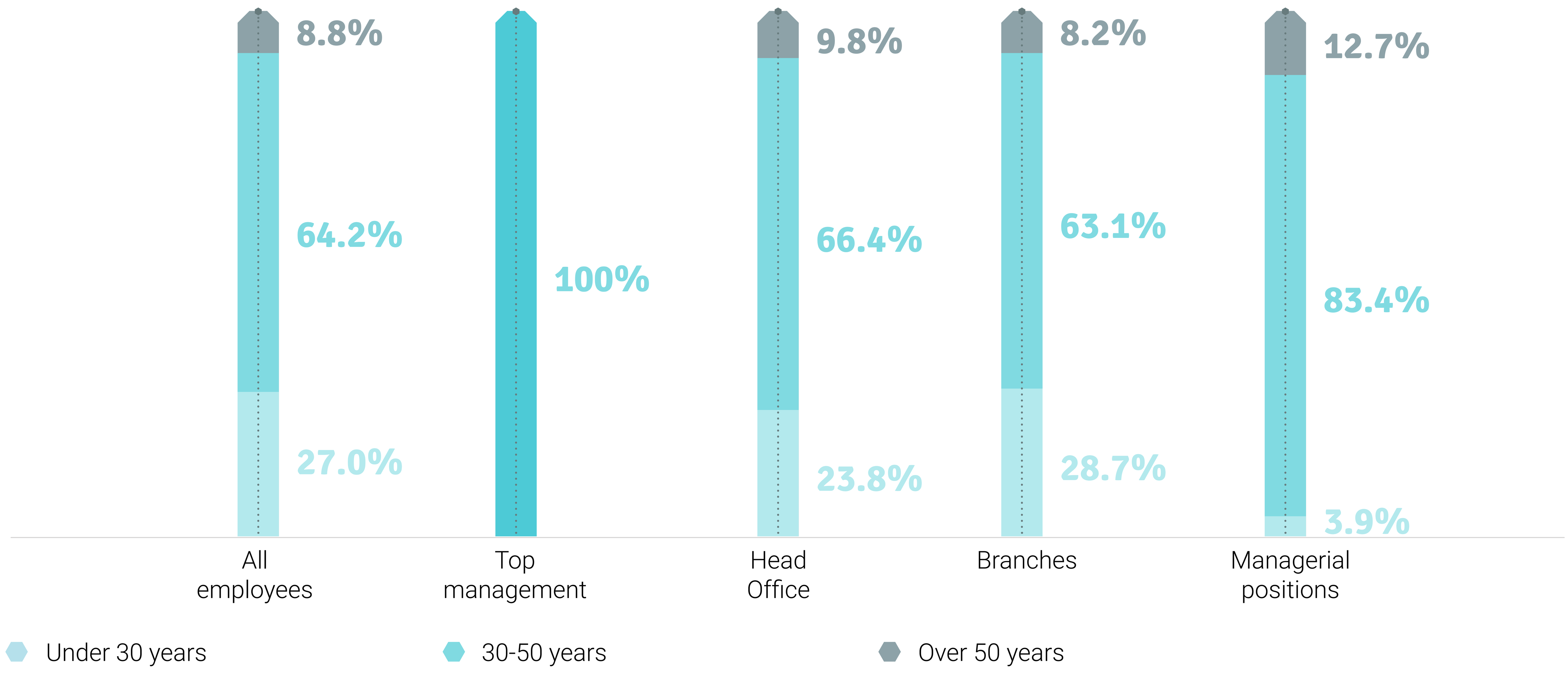
4.6 **years**

The average work experience of the Bank's employees

Share of women in the team



Share of women in the team



Personnel structure as of December 31, 2022

Indicator	Total *(people)*	Breakdown by gender		Breakdown by age group		
		men	women	under 30 years	30–50 years	over 50 years
Total headcount	**3,736**	**1,291**	**2,445**	**1,007**	**2,398**	**331**
Board of Directors*	6	6	0	0	1	5
Head Office	**1,299**	**576**	**723**	**309**	**862**	**128**
Management Board	4	2	2	0	4	
Executives	71	37	34	7	55	9
Specialists	1,224	537	687	302	803	119
Branches	**2,437**	**702**	**1,735**	**698**	**1,536**	**203**
Executives	366	178	188	11	308	47
Specialists	2,071	524	1,547	687	1,228	156

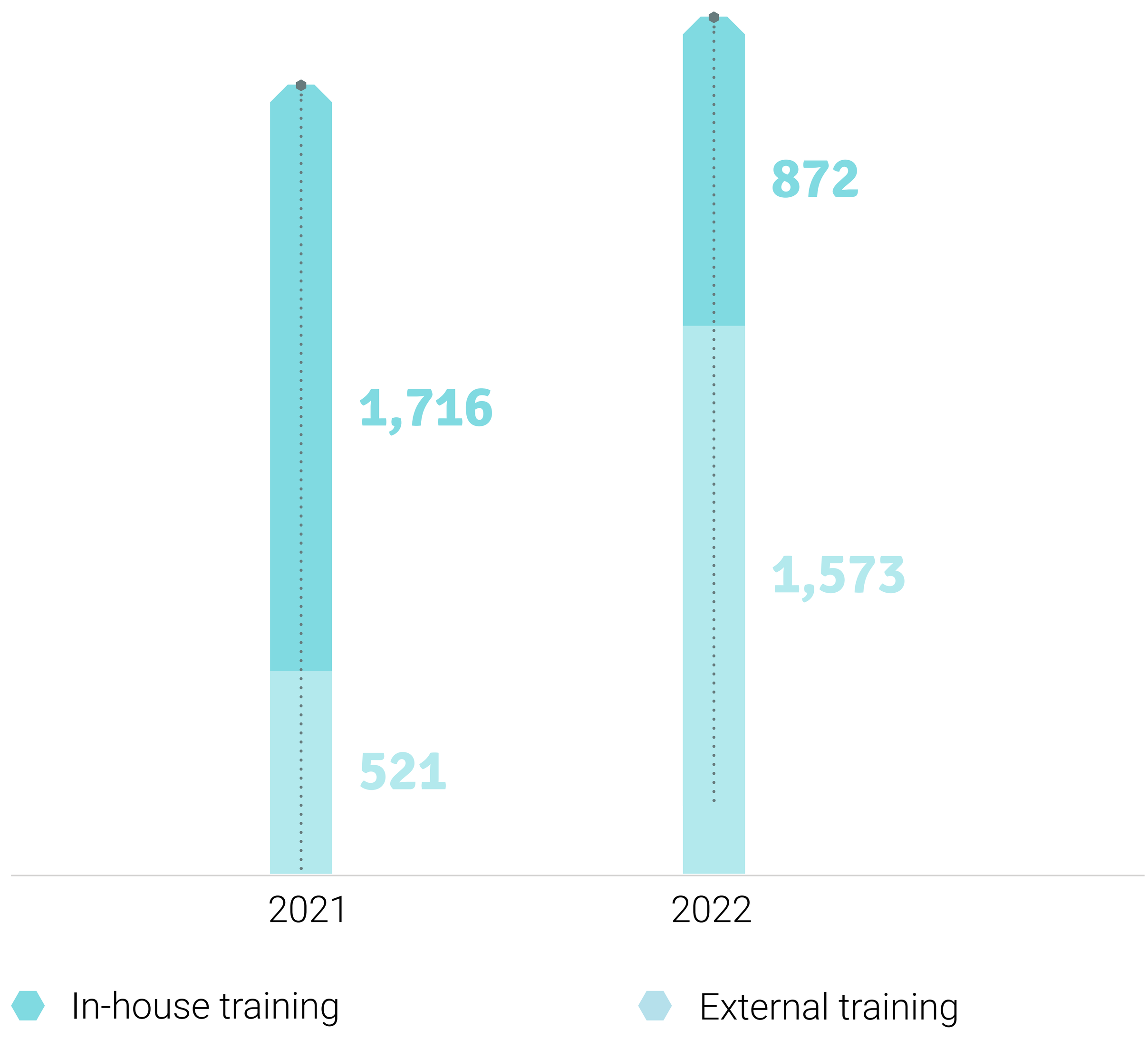
** Members of the Board of Directors are not included in the Bank's headcount.*

PERSONNEL DEVELOPMENT

Striving to maximize the potential of its employees, ForteBank provides them with opportunities for training and advanced training. Following the objectives set by the Board of Directors to the Human Resource Department, the latter has established ForteAcademy, a personnel training and development unit.

The training topics for specific employees are determined by the heads of the Banks' structural units. Since 2020, the retraining and advanced training system has been refocused to online distance learning. In 2022, the Bank focused on external employee training.

Number of the Bank's employees covered by training programs



The Bank is constantly expanding the training program coverage of its employees. While in 2021 the total number of participants was 2,237, in 2022 this number grew to 2,445, with 70.5% of those trained being female employees.

In-house training

In 2022, the Bank's in-house training programs covered 872 employees, including 613 women and 259 men. The average number of in-house training hours per employee in 2022 was six, with male employees training for an average of seven hours and female employees training for five hours. The difference in the number of hours is due to multidirectional courses selected in accordance with employees' duties.

In 2022, as part of advanced training and personnel development, a number of training events were held both online and offline, including:

- Training in indicator panel *(Dashboard)* building in MS Excel *(Head Office and branches)*;
- Training course in Emotional Intelligence Basics for SME Customers *(Head Office and branches)*;
- Training course in SME Lending Process *(branches);*
- Training course in Credit Analysis of Financial Standing of a Business;
- HR-2022 strategy session, etc.

In 2022, the Bank's employees also regularly participated in the Stress Healing workshop.

As part of the Leaders' School program, team leaders of the Bank's Contact Center, as well as to the heads and chief operations managers of the Bank's offices completed a training program. The program was comprised of four modules: Manage Yourself, Manage Yourself and Your Team, Service Management, Management Coaching.

External training

In 2022, Forte's external training budget amounted to KZT 51 mln. The Bank organized 48 training events for a total of 1,573 employees, including 1,111 women and 462 men. The average cost of training per employee was KZT 29,361.

Training was conducted on the following topics:

- A webinar on Countering Money Laundering and Terrorism Financing;
- Compulsory training for members of the Conciliation Commission on issues related to applying the labor law of the Republic of Kazakhstan;
- A training in operation of the automated Colvir Banking System;
- A training in operation of IBM Cognos Analytics: Dashboard;
- A training in operation of ISO Orion system;
- An online conference on Back-office, Operational Efficiency and Business Process Development in Banks;
- A training in Basics of Data Management. Basic Course;
- A training in Basics of IT Services Management, etc.

E-learning on WebTutor platform.

Over 4,000 employees completed their training courses on the distance learning system for employees, which offers about 90 courses.

In 2022, as part of distance learning system development, 20 electronic courses were developed/updated and delivered to employees of seven business units of the Bank *(Retail Business, International Relations, Compliance Control Service, Contact Center, Security Service, Administrative Office, Process Management)*, including:

Training courses for the retail business:

- Write-off Features;
- Procedure for Opening, Maintaining and Closing Current Accounts;
- Conducting exchange transactions;

Training courses for the retail business and SME:

- Updating Data of Offices, ATMs and Self-service Terminals;

Training courses for the bank tellers:

- Service Standards for Bank Tellers. Superior Service;

Training courses for the employees of the Head Office and branches:

- Workflow management;
- Currency Laws of the Republic of Kazakhstan 2022;
- Trade Finance 2022;
- Four courses on Countering Money Laundering and Terrorism Financing;
- Business Process Modeling, etc.

PERSONNEL ASSESSMENT

The important aspects of the Bank's personnel policy include employee incentives. The Bank has an annual personnel assessment system based on KPIs (key performance indicators). To ensure correct goal setting and fulfillment of the assigned tasks, the Human Resource Department is working on checking employees' KPI cards which can be adjusted in case of changes in the strategic KPIs and priority of key indicators.

In 2020, the Bank approved a new employee remuneration policy and other elements of the entire remuneration structure, which establishes the basic remuneration principles. Under the policy, a methodology for evaluating (grading) positions was introduced, enabling a fairer remuneration system and thereby increasing employees' motivation. The methodology for evaluating positions (grading) was developed together with external consultants, taking into account the specifics of the Bank's activities and strategic priorities. This methodology enables the Bank to assess the contribution of a particular position to its operations according to four criteria:

- Which processes the position is involved in
- Communication and personnel management
- Qualification requirements
- Its impact on the final results

It should be mentioned that in 2021, the Bank's Management Board set a goal to ensure that the Bank will be included in 40% of Kazakhstan's companies with the highest wages by 2023.

In 2021, the Bank approved a unified approach to the accrual of bonuses and a five-level bonus system, which consists of:

- bonus payments to front office employees;
- bonus payments to back and middle office employees;
- bonus payments to employees working on problem debt recovery;
- bonus payments to employees selling non-core assets;
- project-based bonus payments.

In early 2023, the annual performance assessment of 1,091 Head Office employees and 831 branch employees took place. The assessment is aimed at assessing the meeting annual targets and objectives by individual employees in percent. Its results showed that 134 employees completed less than 80% of the tasks, 1,608 employees performed 80%-100% of tasks, and 179 employees carried out over 100% of tasks.

1,922 **employees**

Passed annual performance assessment

INCENTIVES AND SOCIAL PROTECTION

The Bank's employees are provided with a package of benefits which includes voluntary health insurance, preventive medical examinations, employee transportation and gym training at preferential prices. In addition, the Bank has a social support system for its employees, who are covered by death-in-service payments *(in the event of the death of an employee or his close relatives)* and payments for medical treatment and/or surgery not covered by medical insurance.

SOCIAL BENEFITS FOR THE BANK'S EMPLOYEES IN 2022

Voluntary health insurance

As of YE2022, were covered

3,626 employees

and 144 members of their families

Early check-up

Conducted annually in November-February. From November 1, 2022, to February 28, 2023

over 3,500 employees had their check-ups

Employee transportation

Transportation is provided on 14 routes, involving two buses with 50 seats and 12 minibuses with 18-20 seats. As of YE2022

over 500 employees used the transportation service

Sports on preferential terms

Agreements with LifeFitness, Invictus and Winox gym chains are in place. As of YE2022

over 170 employees of the Head Office and

over 400 employees of the branches were visiting fitness centers

OCCUPATIONAL HEALTH AND SAFETY

To successfully comply with the legal requirements and the Bank's policy regarding occupational health and safety, the Bank monitors occupational safety and working conditions, including:

- workplace conditions;
- injury and fatality rates;
- employee guarantees and compensations;
- social insurance against accidents;
- occupational safety programs and measures;
- trainings in occupational health and safety;
- internal controls.

To ensure safe working conditions, the Bank has created a separate structural unit that operates in close cooperation with all other Bank units, including executive bodies in charge of occupational safety and government control bodies.

A primary objective of the Bank's in-house occupational health and safety policy is to ensure the priority of preserving the life and health of its employees. To achieve this, Forte analyses occupational safety and working conditions allowing in order to identify existing OHS risks and ways for their elimination.

The following aspects are considered:

- results of special working conditions assessments;
- industrial injury statistics;
- accident investigation materials with analysis of accident causes;
- reports on control activities carried out in the organization;
- specification of works on occupational safety and their outcomes;
- monitoring the state of occupational safety and working conditions and its outcomes;
- efficiency of professional risk management.

To perform these activities, the Bank has established an occupational health and safety management system and developed a Regulation on Occupational Health and Safety. The Regulation sets forth standard organizational and methodological activities for the implementation of organizational, technical, sanitary and hygienic measures, aimed at ensuring safety, health and performance of the employees, controls the Bank's employees compliance with the occupational health and safety measures, prescribes the procedure for conducting training in occupational health and safety, as well as investigation of accidents that involve the Bank's employees at work, also defining the Bank's employees' responsibility for violation of the occupational health and safety measures. In addition, the Bank has developed and approved occupational health and safety instructions.

To reduce the risk of injury and potential adverse outcomes for the Bank's employees in their workplaces, the Bank takes measures to comply with the legal requirements, regulatory, technical and design documents, as well as rules and instructions about safe working conditions and the behavior of the Bank's employees.

The safety of the office building is a priority for the Bank and its entire team. The Bank's safety includes all safety types, including fire and electrical safety.

To ensure fire safety, the Bank takes the following measures:

1. Develops and approves fire safety plans and instructions.
2. Conducts fire safety briefings for all new hires, who have to sign for this in the log.
3. Ensures the inspection of emergency exits and street lighting on a daily basis.
4. On-duty personnel practices actions in case of fire.
5. Automatic fire extinguishing and fire alarm system and fire hydrants are inspected on a regular basis, rewinding fire hoses to a new fold and reloading fire extinguishers.
6. Compliance with the fire safety requirements:
   - maintenance of the building, premises and escape routes;
   - maintenance of fire water supply networks;
   - compliance with the fire prevention regime;
   - observance of fire safety in holding mass events;
   - accounting for the use of primary fire extinguishing equipment;
   - maintenance of the fire alarm system;
   - prohibition of garbage burning, timely cleaning of the area to remove dry grass and fallen leaves.

In 2022, a drill (trial exercises) was carried out to practice the actions of on-duty personnel, evacuation of the Bank's employees from the building in case of emergency, and inspecting the fire alarm system. During the drill, the employees practiced:

- interactions and priority actions to be taken by employees of the Security Department and the contractor in case of emergency;
- measures to evacuate people from the office buildings of ForteBank, JSC *(with all employees of the Head Office involved)* and gather them in a safe place;
- practical skills of using primary fire extinguishing equipment *(fire extinguishers)*.

ENVIRONMENTAL IMPACT MANAGEMENT

The Bank's environmental impact

Due to the specifics of its operations, the Bank has a minor environmental impact. Nevertheless, the Bank always strives to ensure careful and rational treatment of the environment and the rational use of resources as part of its work.

The Bank's environmental management system is designed to ensure compliance with the laws of the Republic of Kazakhstan on environmental safety. The Bank strictly complies with the environmental responsibility requirements and is constantly developing environmental initiatives in order to reduce its environmental impact.

All installations of the Bank that affect the environment have permits provided for by the laws of the Republic of Kazakhstan and are included in the state registers of facilities with negative environmental impact with the corresponding category assigned.

Diesel generators used as backup power sources have a direct negative impact on the environment. Following the legal requirements, the Bank monitors their environmental impact on a regular basis. At all stages of their operation, emissions are controlled, and the air is monitored at the boundaries of sanitary protection zones. The monitoring of the Bank's environmental performance is carried out by third parties on a contractual basis under the environmental control programs. Environmental control results are submitted to the regional government bodies of environmental supervision. In 2022, no cases of deviations from the standards were registered.

As part of modernization of its power supply systems, the Bank put one of the four existing diesel generators into reserve and replaced one diesel generator with a new one.

Resource consumption and waste recycling

The Bank is continuously working to promote the introduction and use of low-waste and resource-saving technologies and equipment under the current law of the Republic of Kazakhstan. The buildings of the Bank's Head Office and branches are equipped with automated water, electrical and heat supply systems.

To reduce resource consumption and waste generation, the Bank implements a set of measures, including:

- replacement of heat distribution stations with automated heat supply units;
- replacement of fluorescent lamps with LED lamps;
- installation of cleaners on the air supply units;
- use of ground water and rain water for irrigation of green spaces;
- daily supervision of engineering systems *(power supply, heat supply, water supply, wastewater disposal).*

The introduction of resource-saving technologies and the promotion of the rational consumption culture among the Bank's employees enabled the reduced use of core resources. For instance, power consumption decreased from 13.6 mln kWh in 2021 to 13.2 mln kWh in 2022, heat consumption was reduced from 13.2 to 11.7 thousand GCal, and cold-water use decreased from 45.1 to 39.5 thousand m^3.

At the same time, hot water consumption grew from 1.5 to 1.8 thousand m^3, primarily due to a significant increase in office space in Aktau, which was not equipped with electric water heaters by the end of 2022. The consumption of diesel fuel by the Bank's corporate vehicles increased as well.

Resource consumption by the Bank in 2020-2022

Indicator	Units of measurement	2020	2021	2022
Power, including:	mln kWh	13.4	13.6	13.2
Head Office		*6.1*	*6.2*	*6.4*
Branches		*7.3*	*7.4*	*6.8*
Heat, including:	thousand GCal	12.7	13.2	11.7
Head Office		*6.0*	*7.4*	*6.5*
Branches		*6.7*	*5.8*	*5.2*
Cold water, including:	thousand m^3	38.3	45.1	39.5
Head Office		*7.6*	*8.3*	*9.8*
Branches		*30.7*	*36.8*	*29.7*
Hot water	thousand m^3	1.2	1.5	1.8
Diesel fuel	thousand m^3	5.3	3.6	4.7

The Bank collects hazardous waste for further processing and disposal (*lead batteries, accumulators, oil-containing waste, pneumatic tires, solid household waste, mercury-containing lamps, waste oil*). Therefore, the Bank has installed special boxes for collection and subsequent disposal of chemical power sources (batteries) and waste mercury-containing lamps, including those used by employees and their family members for personal needs.

In 2022, the Bank continued to work with ECO Network project, which is an official participant of the UN Global Compact, supporting seven of the 17 UN Sustainable Development Goals and aiming to develop a culture of sustainable consumption and separate waste collection. In 2022, the Bank expanded its footprint of participation in ECO Network. As of the end of 2022, the project participants included Forte branches in six cities: Astana, Almaty, Kokshetau, Karaganda, Aktobe and Atyrau.

In 2022, the Bank collected and sent for recycling 1,079,85 kg of waste, including 668.05 kg of waste paper, 304.30 kg of glass, 106.95 kg of plastic, thereby having saved 112 trees and 224,215 liters of water since joining the project.

CUSTOMER RELATIONS

The customers are Forte's core value. The Bank seeks to build long-term relations with its customers based on trust and partnership, as well as on the principles of openness, honesty and mutual respect. The Bank especially appreciates customer feedback as it helps to improve its processes, products and customer journey.

FORTEBANK HAS SEVERAL FEEDBACK CHANNELS THROUGH WHICH ANYONE CAN SEND THEIR REQUESTS, COMPLAINTS, SUGGESTIONS AND ACKNOWLEDGEMENTS. THESE CHANNELS INCLUDE:

- **The Contact Center**
- **Instant messengers *(WhatsApp, Telegram, Facebook Messenger)***
- **Administrative Offices of the Head Office and branches**
- **The Bank's social media accounts**
- **Forte App**
- **The Bank's offices**
- **forte.kz website *("Contact Us" section)***

In 2022, the Bank took a huge step in measuring the Net Promoter Score (NPS) in order to be aware at any time, what kind of experience its customers get when contacting the Bank's offices or using online products. Automatic surveys were launched to assess customer satisfaction and their readiness to recommend Forte, allowing the Bank to view customer ratings and opinions on its products and services in real time.

The Bank automated the measurements for nine focus products and services. These metrics allow Forte to work on improvements, providing customers with the best service and the simplest and most convenient solutions on the entire banking market of Kazakhstan.

Furthermore, in 2022, the Bank's customer experience management unit began to actively apply the "feedback loop" method, which is the main differentiator of the NPS system. As practice shows, listening to customers' opinions and measuring the NPS is not enough to increase loyalty. Therefore, an efficient process is a cycle where the Bank always returns to the customer with improvements to the processes and products that he or she used.

The Bank also introduced changes to the procedure for processing customer complaints, that reduced the processing time per one complaint.

In addition, the Bank developed a quality control gradation process that enables it to provide more efficient feedback in solving customer problems. This process involves weekly meetings of the Bank's employees with experts to listen, analyze and evaluate a Bank manager's dialogue with a customer for whether the provided advice was good and customer-centric.

SOCIAL RESPONSIBILITY AND CHARITY

Corporate social responsibility and charity form an integral part of Forte's operations. The Bank regularly supports various projects in culture and sports.

In 2016, ForteBank and the "Kulanshi" Modern Art Center opened Forte Kulanshi Art Space gallery in Forte's Head Office in Astana to support national art and culture development. The idea belonged to the Bank's main shareholder Bulat Utemuratov, who returned several masterpieces of Kazakhstan painting to their homeland in the same year. Forte Kulanshi Art Space gallery constantly holds exhibitions involving domestic and foreign painters, sculptors and other artists. In addition to works of prominent artists, works by aspiring ones can also be found there. The gallery is open to everyone, and the entrance is free-of-charge.

In 2022, the Bank spent about KZT 70 mln to organize six fine art exhibitions, as well as KZT 761 mln on supporting sports.

Expenses of ForteBank, JSC on external charitable activities

KZT thousand

Beneficiary	Purpose	2020	2021	2022
Bulat Utemuratov "Asyl Miras" Foundation	For the Foundation's purposes	842,000.0	-	-
"Astana 20" State Foundation	Construction of the grand mosque in Astana	2,099,350.0	-	-
"Kulan-Astana" Public Association	Holding exhibitions in Forte Kulanshi Art Space	35,871.8	69,627.8	69,786.0
Kazakhstan Tennis Federation RPA	Organizing tennis tournaments	-	429,560.0	761,000.0
Alexander Vinokurov Sports Support and Development Public Foundation	Organizing training camps for a cycling team	10,000.0	10,000.0	-

THE BANK ALSO ENCOURAGES ITS EMPLOYEES TO PERSONALLY PARTICIPATE IN CHARITY EVENTS, TRYING TO CULTIVATE CORPORATE SOCIAL RESPONSIBILITY IN THEM. IN 2022:

1

Forte's employees took part in the Donor Day organized by the Bank, which is traditionally held twice a year, and donated 62.1 liters of blood.

2

On New Year's Eve, the Bank's Head Office and branches, together with the Equal Opportunities World Foundation, hosted the Fir Tree of Wishes charity event. Acting as good wizards, employees responded to 150 children's letters and fulfilled the wishes of their authors.

STAKEHOLDER ENGAGEMENT

As part of the efforts made in 2022 to shape Forte's sustainable development policy, the mutual impact of the Bank and its key stakeholders was assessed. The assessment was carried out by interviewing representatives of the main stakeholder groups such as shareholders, management, personnel, customers, employees of government bodies, business partners, media representatives and non-governmental organizations.

To identify the main stakeholder groups, the Bank conducted a materiality assessment using a five-point scale, evaluating the extent of the stakeholder's influence on the Bank and vice versa. The following stakeholder groups received the highest score: management, personnel, customers being consumers of the Bank's services, shareholders, partners/suppliers and the media.

Interdependence assessment of the Bank and its key stakeholders

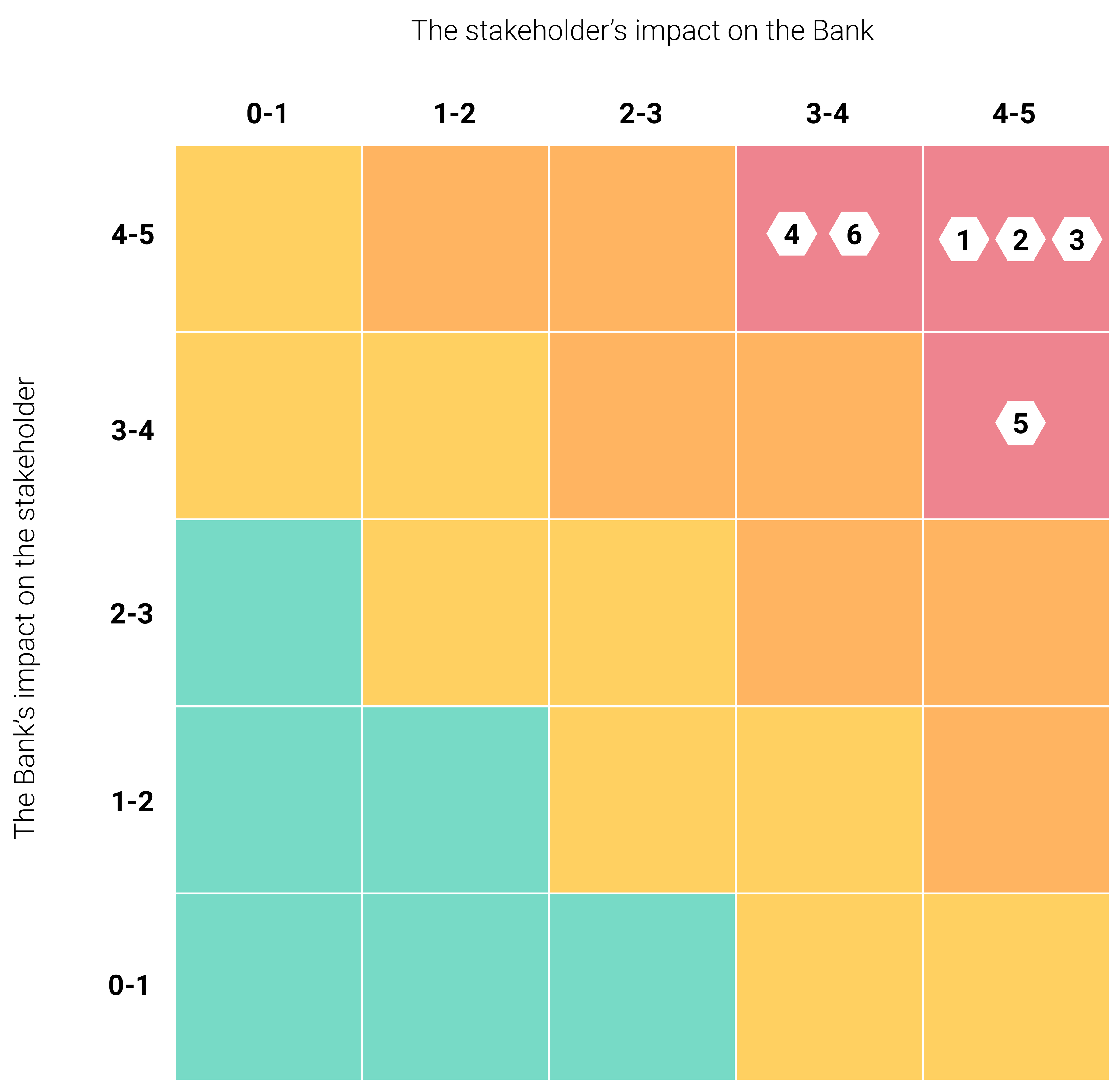


Diagram key:

№	Stakeholder group	The Bank's impact on the stakeholder	The stakeholder's impact on the Bank
1	Management	4.73	4.20
2	Personnel	4.45	4.40
3	Consumers of the Bank's services	4.27	4.40
4	Shareholders	4.45	3.90
5	Suppliers	3.45	4.20
6	Media	4.09	3.30

ForteBank is committed to creating value for all of its stakeholders and ensuring balanced business development, taking into account their short- and long-term interests. The Bank engages with the stakeholders to provide them with maximum information about its activities and to ensure achieving the best results for stakeholders.

Stakeholder engagement is a cornerstone of responsible decision-making by the Bank's management. Providing high-quality stakeholder engagement, the Bank seeks to strengthen mutual trust and to promote the stakeholders' involvement in the decision-making process, which will decisions that serve the interests of all stakeholders.

By maintaining an open dialogue with stakeholders, the Bank managed to develop a clearer understanding of their wishes and key interests and to find out how Forte can satisfy these needs in the best way.

Stakeholders have been interviewed and surveyed to identify the priority topics on sustainable development selected for disclosure in this report.

APPENDIX 1. REPORTING BOUNDARIES

The annual report of ForteBank, JSC for 2022 includes information on the Bank's financial, economic and operating activities for the period from January 1, 2022, through December 31, 2022, as well as some historical and projected indicators.

It was prepared in accordance with the universal and topic standards of the Global Reporting Initiative (GRI Standards) and the following reporting principles enshrined in GRI-1 (2021):

- **accuracy** – correct and detailed data were used to prepare the report;
- **balance** – the information is presented in such a way as to accurately describe current positive and negative trends;
- **clarity** – the information is presented in an accessible and understandable way;
- **comparability** – the information is presented in such a way as to allow for performance comparison between the reporting period and the previous ones, as well as to compare the Bank's performance with that of other organizations;
- **completeness** – the information amount is sufficient to assess the performance in the relevant period;
- **sustainability context** – the information in this report is presented in the broad context of sustainable development;
- **timeliness** – the Bank seeks to provide information on a regular basis in order to allow readers of the report for making timely decisions;
- **verifiability** – the report is formed in such a way that all stakeholders can assess the accuracy of the information it contains.

The scope of this report was determined as part of the Bank's sustainable development activities in 2022. The materiality of individual topics was determined taking into account the opinions of key stakeholders' representatives. All topics were divided into three materiality categories. In the table below, the most significant topics are classified into the first priority category, topics of moderate materiality are in the second priority category, and the least significant ones are listed under the third priority category.

List of material topics

Topic	Priority category
ENVIRONMENT (E PILLAR)	
Green office	2
Green procurement practices and environmental assessment of suppliers	3
SOCIAL POLICY (S PILLAR)	
Privacy of customers' personal data	1
Anti-fraud measures	1
Employee satisfaction and loyalty	1
Safety and comfort at work	1
Personnel training and development	1
Hiring local employees	2
Availability of financial services	1
Financial literacy	1
Customer satisfaction	1
Support of local communities	3
Sustainable finance	1
CORPORATE GOVERNANCE (G PILLAR)	
Compliance practices	1
Anti-corruption measures	1
Non-discrimination policy/gender equality	1
Human rights	3
Corporate governance	1
Transparency	1
Risk management	1
Stakeholder engagement	1
Business ethics	1

APPENDIX 2. GRI INDEX

Indicator	Disclosure	Section of the Report/Comment	Page
GRI 1: FOUNDATION (2021)			
GRI 2: GENERAL DISCLOSURES (2021)			
2-1	Organizational details	General Disclosures	9
2-2	Entities included in the organization's sustainability reporting	Background	9
2-3	Reporting period, frequency and contact point	Reporting boundaries	89 162
2-4	Restatements of information	No data or information was restated	-
2-5	External assurance	No external assurance was conducted	-
2-6	Activities, value chain and other business relationships	Key lines of business Forte ecosystem Geography and scope of operations The Bank's operational performance The Bank's financial performance	13 14 17 31 40
2-7	Employees	Personnel management	78
2-8	Workers who are not employees	Personnel management	78
2-9	Governance structure and composition	Corporate governance system Board of Directors Management Board	45 52 60
2-10	Nomination and selection of the highest governance body	Board of Directors	52
2-11	Chair of the highest governance body	Board of Directors	52
2-12	Role of the highest governance body in overseeing the management of impacts	Board of Directors	52
2-13	Delegation of responsibility for managing impacts	Sustainable development management Sustainable development	21 76
2-14	Role of the highest governance body in sustainability reporting	Sustainable development management Sustainable development	21 76
2-15	Conflicts of interest	Corporate ethics Compliance Control Service	65 66
2-16	Communication of critical concerns	Corporate ethics Compliance Control Service Internal Audit Service	65 66 68
2-17	Collective knowledge of the highest governance body	Membership of the Board of Directors	53
2-18	Evaluation of the performance of the highest governance body	Performance assessment of the Board of Directors	59
2-19	Remuneration policies	Performance assessment of the Board of Directors	59
2-20	Process to determine remuneration	Performance assessment of the Board of Directors	59
2-21	Annual total compensation ratio	Compensation for executives	65
2-22	Statement on sustainable development strategy	Address by Chairperson of the Board of Directors Address by Chairperson of the Management Board	5 6
2-23	Policy commitments	Sustainable development management Sustainable development	21 76
2-24	Embedding policy commitments	Sustainable development management Sustainable development	21 76
2-25	Processes to remediate negative impacts	In 2022, no incidents of direct negative impacts on ecology and social environment were recorded	-
2-26	Mechanisms for seeking advice and raising concerns	Corporate ethics Compliance Control Service	65 66
2-27	Compliance with laws and regulations	Compliance Control Service	66
2-28	Membership associations	The Bank is a member of the Financial Institutions' Association of Kazakhstan	-
2-29	Approach to stakeholder engagement	Stakeholders of the Development Bank	92
2-30	Collective bargaining agreements	The Bank is not involved in the practice of concluding collective bargaining agreements	-
GRI 3: MATERIAL TOPICS (2021)			
3-1	Process to determine material topics	Sustainable development Reporting boundaries	76 89
3-2	List of material topics	Sustainable development Reporting boundaries	76 89

Indicator	Disclosure	Section of the Report/Comment	Page
GRI 201: ECONOMIC PERFORMANCE (2016)			
3-3	Management of material topics	The Bank's operational performance The Bank's financial performance	31 40
201-1	Direct economic value generated and distributed	The Bank's operational performance The Bank's financial performance	31 40
201-2	Financial implications and other risks and opportunities due to climate change	The organization's activities have no impacts on climate change. No climate impact assessment of projects funded by the organization was carried out	-
201-3	Defined benefit plan obligations and other retirement plans	All employees of the Bank are covered by the public pension plan and pay mandatory pension contributions	-
201-4	Financial assistance received from government	The Bank does not receive any direct financial assistance from government bodies	-
GRI 202: MARKET PRESENCE (2016)			
3-3	Management of material topics	Board of Directors Management Board	52 60
202-2	Proportion of senior management hired from the local community	Board of Directors Management Board	52 60
GRI 203: INDIRECT ECONOMIC IMPACTS (2016)			
3-3	Management of material topics	The Bank's operational performance The Bank's financial performance	31 40
203-1	Infrastructure investments and services supported	The Bank makes no infrastructure investments	-
203-2	Significant indirect economic impacts	The Bank's operational performance The Bank's financial performance	31 40
GRI 204: PROCUREMENT PRACTICES (2016)			
204-1	Proportion of spending on local suppliers	The Bank is not subject to the legal requirements on the proportion of spending on local suppliers	-

Indicator	Disclosure	Section of the Report/Comment	Page
GRI 205: ANTI-CORRUPTION (2016)			
3-3	Management of material topics	Anti-corruption measures	65
205-1	Operations assessed for risks related to corruption	No assessment was performed	-
205-2	Communication and training about anti-corruption policies and procedures	Compliance Control Service	66
205-3	Confirmed incidents of corruption and actions taken	In 2022, no incidents of corruption offenses involving the Bank's employees were recorded	-
GRI 301: MATERIALS (2016)			
3-3	Management of material topics	The Bank's environmental impact Consumption of resources and waste recycling	85 85
301-1	Materials used by weight or volume	The Bank's environmental impact Consumption of resources and waste recycling	85 85
GRI 302: ENERGY 2016			
3-3	Management of material topics	The Bank's environmental impact Consumption of resources and waste recycling	85 85
302-1	Energy consumption within the organization	The Bank's environmental impact Consumption of resources and waste recycling	85 85
GRI 303: WATER AND EFFLUENTS 2018			
3-3	Management of material topics	The Bank's environmental impact Consumption of resources and waste recycling	85 85
303-5	Water consumption	The Bank's environmental impact Consumption of resources and waste recycling	85 85
GRI 306: WASTE (2020)			
3-3	Management of material topics	The Bank's environmental impact Consumption of resources and waste recycling	85 85
306-1	Waste generation and significant waste-related impacts	The Bank's environmental impact Consumption of resources and waste recycling	85 85
306-3	Waste generated	Environmental protection	85

Indicator	Disclosure	Section of the Report/Comment	Page
GRI 401: EMPLOYMENT (2016)			
3-3	Management of material topics	Labor practices Personnel structure and headcount	78 79
401-1	New employee hires and employee turnover	Labor practices Personnel structure and headcount	78 79
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Incentive program and social protection of employees	83
401-3	Parental leave	Labor practices	78
GRI 402: LABOR/MANAGEMENT RELATIONS (2016)			
3-3	Management of material topics	Labor practices	78
402-1	Minimum notice periods regarding operational changes	Notification on operational changes is compliant to the labor legislation standards of the Republic of Kazakhstan	-
GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)			
3-3	Management of material topics	Occupational health and safety	84
403-1	Occupational health and safety management system	Occupational health and safety	84
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety	84
403-5	Worker training on occupational health and safety	Occupational health and safety	84
403-6	Promotion of worker health	Occupational health and safety	84
403-8	Workers covered by an occupational health and safety management system	Occupational health and safety	84
403-9	Work-related injuries	In 2022, no incidents of employees' injuries and ill health caused by their labor were recorded	-
403-10	Work-related ill health		

Indicator	Disclosure	Section of the Report/Comment	Page
GRI 404: TRAINING AND EDUCATION			
3-3	Management of material topics	Personnel development	81
404-1	Average hours of training per year per employee	Personnel development	81
404-2	Programs for upgrading employee skills and transition assistance programs	Personnel development	81
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)			
3-3	Management of material topics	Labor practices Membership of the Board of Directors Membership of the Management Board Personnel structure and headcount	78 53 60 79
405-1	Diversity of governance bodies and employees	Labor practices Membership of the Board of Directors Membership of the Management Board Personnel structure and headcount	78 53 60 79
GRI 406: NON-DISCRIMINATION (2016)			
3-3	Management of material topics	Labor practices	78
406-1	Incidents of discrimination and corrective actions taken	In 2022, no incidents of discrimination were recorded	-
GRI 408: CHILD LABOR (2016)			
3-3	Management of material topics	Labor practices	78
408-1	Operations and suppliers at significant risk for incidents of child labor	The Bank does not use child labor. No incidents of child labor involving suppliers were recorded	-
GRI 409: FORCED OR COMPULSORY LABOR (2016)			
3-3	Management of material topics	Labor practices	78
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	The Bank does not use compulsory labor No incidents of compulsory labor involving suppliers were recorded	-

APPENDIX 3. AUDITED FINANCIAL STATEMENTS FOR 2022

FORTEBANK JOINT STOCK COMPANY

Consolidated financial statements

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

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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Key audit matters

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

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

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

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

Other information included in The Group's 2022 Annual Report

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Olga Khegay Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor qualification certificate No. МФ-0000286 dated 25 September 2015	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 ,No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on July 15, 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

13 March 2023

millions of tenge

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 December 2022

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

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

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

Bekzhan Pirmatov
Chairman of the Management Board

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА ҚАЛАСЫ «ForteBank» Акционерлік қоғамы Forte Акционерное общество «ForteBank» РЕСПУБЛИКА КАЗАХСТАН ГОРОД АСТАНА

Zaure Albossinova
Chief Accountant – Managing Director

13 March 2023

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

millions of tenge

Consolidated statement of financial position
As at 31 December 2022

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

Consolidated statement of cash flows
For the year ended 31 December 2022

	Note	2022	2021
Cash flows from operating activities			
Interest received	5	**250,762**	171,680
Interest paid	5	**(114,817)**	(82,472)
Fee and commission received		**35,945**	38,402
Fee and commission paid		**(12,256)**	(14,809)
Realized gains less losses from financial instruments at fair value through profit or loss		**1,190**	(1,177)
Realized gains less losses from foreign currencies		**48,077**	12,921
General and administrative expenses paid		**(51,542)**	(45,320)
Other operating expenses paid		**(2,376)**	(1,413)
Net decrease/(increase) in operating assets			
Amounts due from credit institutions		**19,359**	27,667
Securities at fair value through profit or loss		**1,015**	4,181
Loans to customers		**(410,160)**	(74,289)
Other assets		**10,030**	17,459
Net increase /(decrease) in operating liabilities			
Current accounts and deposits of customers		**256,464**	330,796
Amounts due to banks and other credit institutions		**(7,834)**	(30,849)
Amounts payable under repurchase agreements		**42,789**	3,362
Other liabilities		**65**	2,081
Net cash from operating activities before income tax		**66,711**	358,220
Corporate income tax paid		**(44)**	(24)
Net cash flow from operating activities		**66,667**	358,196

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

millions of tenge

Consolidated statement of cash flows

For the year ended 31 December 2022 (continued)

	Note	2022	2021
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		**(233,141)**	(708,814)
Proceeds from sale of investment securities at fair value through other comprehensive income		**37,668**	11,990
Redemption of investment securities at fair value through other comprehensive income		**180,304**	522,972
Purchase of investment securities at amortised cost		**(6,830)**	(66,781)
Redemption of investment securities at amortized cost		**7,548**	52,271
Purchase of property and equipment and intangible assets		**(7,363)**	(5,603)
Proceeds from sale of property and equipment and intangible assets		**71**	3
Net cash used in investing activities		**(21,743)**	(193,962)
Cash flows from financing activities			
Sale of previously repurchased shares	23	**–**	4,337
Repayment of subordinated debt	28	**(3,675)**	–
Dividends paid to shareholders of the Bank	23	**–**	(52,961)
Issue of debt securities	28	**13,295**	4
Repurchase of debt securities issued	28	**–**	(1,088)
Redemption of debt securities issued	28	**(34,306)**	–
Payment of lease liabilities		**(969)**	(995)
Net cash used in financing activities		**(25,655)**	(50,703)
Effect of exchange rates changes on cash and cash equivalents		**5,754**	7,785
Effect of expected credit losses on cash and cash equivalents		**(9)**	–
Net change in cash and cash equivalents		**25,014**	121,316
Cash and cash equivalents, beginning		**432,948**	311,632
Cash and cash equivalents, ending	12	**457,962**	432,948
Non-monetary transactions			
Repossession of collateral on loans to customers	15	**1,701**	4,385

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Accumulated losses	Total equity
At 1 January 2021	332,815	21,109	(5,260)	9,207	(94,540)	263,331
Profit for the year	–	–	–	–	64,060	64,060
Other comprehensive loss for the year	–	–	–	(1,070)	–	(1,070)
Total comprehensive income for the year	–	–	–	(1,070)	64,060	62,990
Transactions with owners recorded directly in equity						
Sale of previously repurchased shares (Note 23)	–	2,542	1,795	–	–	4,337
Dividends declared (Note 23)	–	–	–	–	(52,961)	(52,961)
As at 31 December 2021	332,815	23,651	(3,465)	8,137	(83,441)	277,697
Profit for the year	**–**	**–**	**–**	**–**	**98,086**	**98,086**
Other comprehensive loss for the year	**–**	**–**	**–**	**(32,023)**	**–**	**(32,023)**
Total comprehensive income for the year	**–**	**–**	**–**	**(32,023)**	**98,086**	**66,063**
As at 31 December 2022	**332,815**	**23,651**	**(3,465)**	**(23,886)**	**14,645**	**343,760**

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

millions of tenge

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

1. General

Principal activities

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

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

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

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. As at 31 December 2022, certain of the Bank's issued securities are listed on the Luxembourg Stock Exchange, Kazakhstan Stock Exchange (hereinafter, the "KASE") and Astana International Exchange (hereinafter, the "AIX") (31 December 2021: London Stock Exchange, Luxembourg Stock Exchange, KASE and AIX).

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 31 December 2022 and 2021, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge – up to 20 million tenge (31 December 2021 – up to 15 million tenge).

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

Name	Country of incorporation	Principal activities	Ownership, %	
			31 December 2022	31 December 2021
ForteLeasing, JSC	Republic of Kazakhstan	Leasing opearions	**100.00**	100.00
OUSA Alliance, LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.00**	100.00
OUSA-F, LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.00**	100.00
ONE Technologies, LLP	Republic of Kazakhstan	Software development	**100.00**	100.00
ForteFinance, JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	**100.00**	100.00

2. Basis of preparation

Shareholders

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

General

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

Basis of measurement

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

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

Functional and presentation currency of consolidated financial statements

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

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

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

Effect of COVID-19

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

2. Basis of preparation (continued)

Geopolitical events

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

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

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

Inflation and the current economic environment

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

Prices of many commodities, including food, remain high. In 2022, inflation in Kazakhstan was 20.3%.

Due to the increased of geopolitical tension in 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of Tenge against the US dollar and Euro.

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

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

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

3. Summary of accounting policies

Changes in accounting policies

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

New standards, interpretations and amendments to existing standards and intrpretations

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

3. Summary of accounting policies (continued)

New standards, interpretations and amendments thereof (continued)

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

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

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

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

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

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

IAS 41 Agriculture – Taxation in fair value measurements

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

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

Basis of consolidation

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

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

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

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

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

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

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

Fair value measurement

The Group measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest .

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Financial instruments

Initial recognition

Date of recognition

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

Initial measurement

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

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

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

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

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

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

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

Debt instruments at FVOCI

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

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

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

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

Performance guarantees

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

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

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

Receivables under repurchase and reverse repurchase agreements and securities lending

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

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from trading securities at fair value through profit or loss in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

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

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

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

Borrowings

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

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

Lease

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

i. Group as lessee

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

Right-of-use assets

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

ii. Operating – Group as lessor

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

3. Summary of accounting policies (continued)

Lease (continued)

iii. Finance – Group as lessor

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

Offsetting of financial instruments

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

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

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Restructuring of loans

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Write-off

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

Financial liabilities

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

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

Government grants

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

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

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

Property and equipment

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

3. Summary of accounting policies (continued)

Property and equipment (continued)

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

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

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

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

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

Intangible assets

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

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

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

Inventories

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

Retirement and other employee benefit obligations

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

Provisions

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

Contingent assets and liabilities

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

Equity

Share capital

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

Treasury shares

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

Dividends

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

Taxes

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

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

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

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

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

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

3. Summary of accounting policies (continued)

Income and expense recognition

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

Interest and similar revenue and expense

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

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

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

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

Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

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

Commission income from providing transaction services

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

Customer loyalty programs

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

Dividend income

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

Segment reporting

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

Foreign currency translation

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

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

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

Standards issued but not yet effective

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

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.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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

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

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

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

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

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

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

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

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

Definition of Accounting Estimates – Amendments to IAS 8

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Significant accounting judgments and estimates

Estimation uncertainty

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

Fair value of financial instruments

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

Collateral assessment

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

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for ECL for financial assets should be measured on a lifetime expected credit losses (hereinafter, the "LTECL") basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Identification of relationships between macroeconomic scenarios and economic data, such as the US dollar exchange rate, inflation, and the real wage index, and the effect on Probability of Default (PD), Exposure at Default (EAD), and Loss on Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Determining the lease term of contracts with renewal options

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

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

Leases – Estimating the incremental borrowing rate

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

Taxes

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 31 December 2022 and 2021 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

millions of tenge

5. Net interest income

Net interest income comprises:

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

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

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

millions of tenge

5. Net interest income (continued)

Interest received is as follows:

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

Interest paid comprise:

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

6. Net fee and commission income

Fee and commission income is as follows:

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

Fee and commission expense is as follows:

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

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

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

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

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

millions of tenge

7. Net gain from foreign currencies

Net gains from foreign currencies is presented as follows:

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

8. Credit loss expense

Credit loss expenses comprised the following for 2022 and 2021:

	2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	**(9)**	**–**	**–**	**–**	**(9)**
Amounts due from credit institutions	**(109)**	**1**	**2**	**–**	**(106)**
Loans to customers	**(8,306)**	**(17,987)**	**(7,579)**	**(2,825)**	**(36,697)**
Investment securities measured at amortized cost	**(1)**	**104**	**–**	**–**	**103**
Investment securities measured at FVOCI	**(11)**	**(326)**	**–**	**–**	**(337)**
Other financial assets	**–**	**–**	**(510)**	**–**	**(510)**
Financial guarantees, letters of credit and undrawn loan commitments	**49**	**–**	**(143)**	**–**	**(94)**
	(8,387)	**(18,208)**	**(8,230)**	**(2,825)**	**(37,650)**

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

9. General and administrative expenses

General and administrative expenses comprise:

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

General administrative expenses comprise:

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

millions of tenge

10. Other income and expenses

Other income and expense comprise:

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

11. Taxation

Corporate income tax expenses comprise the following:

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

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2022 and 2021 was 20%.

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

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

millions of tenge

11. Taxation (continued)

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

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

millions of tenge

12. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

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

As at 31 December 2022, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, "KSF"), Eurasian Development Bank (EABR) and notes of the NBRK, the total fair value of which as at 31 December 2022 is 48,027 million tenge (31 December 2021: bonds of the Ministry of Finance of the Republic of Kazakhstan, KSF, Eurasian Development Bank (EABR), shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK with a total fair value of 145,653 million tenge).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2022, combined minimum reserve requirements of the Bank amount to 41,731 million tenge (31 December 2021: 34,544 million tenge).

Concentration of cash and cash equivalents

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

13. Amounts due from credit institutions

Amounts due from credit institutions comprise:

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

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

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

millions of tenge

13. Amounts due from credit institutions (continued)

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

As at 31 December 2022 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment system services in the amount of 14,513 million tenge (as at 31 December 2021: 7,361 million tenge).

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

Concentration of amounts due from credit institutions

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

14. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

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

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

15. Loans to customers

Loans to customers comprise:

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

millions of tenge

15. Loans to customers (continued)

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

Quality of individually significant loans

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

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL

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

	2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount at 1 January	**270,021**	**17,934**	**16,130**	**301**	**304,386**
New assets originated or purchased	**613,212**	**–**	**1,231**	**–**	**614,443**
Assets derecognised or repaid (excluding write-offs)	**(320.713)**	**(4.465)**	**(6.748)**	**(427)**	**(332.353)**
Transfers to Stage 1	**5,098**	**(5,098)**	**–**	**–**	**–**
Transfers to Stage 2	**(7,990)**	**12,845**	**(4,855)**	**–**	**–**
Transfers to Stage 3	**(663)**	**(14,462)**	**15,125**	**–**	**–**
Transfer between loan categories based on significance	**(70,514)**	**(1,393)**	**(2,490)**	**–**	**(74,397)**
Net change in accrued interest	**944**	**(311)**	**(557)**	**454**	**530**
Unwinding of discount	**–**	**–**	**45**	**–**	**45**
Recoveries	**–**	**–**	**–**	**–**	**–**
Write-off	**–**	**–**	**(77)**	**–**	**(77)**
Foreign exchange adjustments	552	21	17	–	590
At 31 December	**489,947**	**5,071**	**17,821**	**328**	**513,167**

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

millions of tenge

15. Loans to customers (continued)

Quality of individually significant loans (continued)

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

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

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 1 January	183,974	7,117	58,536	–	249,627
New assets originated or purchased	330,880	–	14,851	301	346,032
Assets derecognised or repaid (excluding write-offs)	(246.552)	(5.937)	(28.613)	(12)	(281.114)
Transfers to Stage 1	4,252	–	(4,252)	–	–
Transfers to Stage 2	(2,151)	24,474	(22,323)	–	–
Transfers to Stage 3	(5,235)	(8,107)	13,342	–	–
Transfer between loan categories based on significance	2,911	(83)	(985)	–	1,843
Net change in accrued interest	253	359	(2,133)	–	(1,521)
Unwinding of discount	–	–	688	–	688
Recoveries	–	–	381	–	381
Write-off	–	–	(13,451)	–	(13,451)
Foreign exchange adjustments	1,689	111	89	12	1,901
As at 31 December	270,021	17,934	16,130	301	304,386

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January	(3,336)	(12)	(14,466)	–	(17,814)
New assets originated or purchased	(5,484)	–	(635)	–	(6,119)
Assets derecognised or repaid (excluding write-offs)	3.302	11	4.830	–	8.143
Transfers to Stage 1	(5)	–	5	–	–
Transfers to Stage 2	–	(26)	26	–	–
Transfers to Stage 3	25	8	(33)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,166	(17)	(3,254)	–	(105)
Transfer between loan categories based on significance	(3)	–	(68)	–	(71)
Unwinding of discount	–	–	(688)	–	(688)
Recoveries	–	–	(381)	–	(381)
Write-off	–	–	13,451	–	13,451
Foreign exchange adjustments	–	–	(246)	–	(246)
As at 31 December	(2,335)	(36)	(1,459)	–	(3,830)

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL

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

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

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

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

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

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

	2022				
Consumer loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL at 1 January	**(6,993)**	**(2,251)**	**(9,650)**	**–**	**(18,894)**
New assets originated or purchased	**(8,961)**	**–**	**–**	**–**	**(8,961)**
Assets derecognised or repaid (excluding write-offs)	**4,640**	**478**	**959**	**–**	**6,077**
Transfers to Stage 1	**(8,538)**	**8,147**	**391**	**–**	**–**
Transfers to Stage 2	**7,598**	**(9,714)**	**2,116**	**–**	**–**
Transfers to Stage 3	**168**	**14,895**	**(15,063)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**4,036**	**(17,569)**	**(2,188)**	**–**	**(15,721)**
Unwinding of discount	**–**	**–**	**(3,646)**	**–**	**(3,646)**
Recoveries	**–**	**–**	**(114)**	**–**	**(114)**
Write-off	**–**	**–**	**3,698**	**–**	**3,698**
Forex exchange adjustments	**–**	**–**	**–**	**–**	**–**
As at 31 December	**(36)**	**(6)**	**(1,469)**	**(575)**	**(2,086)**

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

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

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

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

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

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15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

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

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

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

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

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

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

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

millions of tenge

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

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

In 2021 and 2022 the Group modified contractual terms and performed loan forgiveness for socially vulnerable groups of population within the state program of refinancing of mortgage and housing loans to customers. As a result of the modification leading to derecognition and forgiveness of loans issued to customers, the Group recognized a loss on derecognition of loans to customers in the amount of 6,234 million tenge (for 2021: 10,004 million tenge).

As part of this government program, the Group attracted deposits from Kazakhstan Sustainability Fund JSC with nominal interest rates of 0.10% to 2.99% per annum and payable at maturity in 2038-2050 (Note 20). Income on initial recognition of borrowings amounted to 1,757 million tenge (2021: 14,083 million tenge) and was recognized net of a loss as a result of derecognition of loans to customers in "Net (losses)/gains on derecognition of financial assets measured at amortized cost".

Modified and renegotiated loans

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

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

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

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

	31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Individually significant loans	10,419	14,910	9,852	–	35,181
Individually insignificant corporate loans	17,705	672	8,378	–	26,755
Mortgage loans	3,415	118	357	1,673	5,563
Consumer loans	12,884	535	3,266	–	16,685
Car loans	47	–	–	–	47
Credit cards	45	3	17	–	65
Other loans secured by collateral	17,291	851	3,746	2,568	24,456
Loans to customers before allowance for ECL	61,806	17,089	25,616	4,241	108,752

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

Changes to models used for ECL measurement

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

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

millions of tenge

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

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

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

The main types of collateral obtained are as follows:

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

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

Collateral withdrawn

In 2022, the Group received property classified within other assets with a carrying amount of 1,701 million tenge (2021: 4,385 million tenge) by obtaining control over collateral for loans issued to customers (Note 18). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2022, the Group had a concentration of loans represented by 315,382 million tenge due from the ten largest independent borrowers or 25.45% of gross loan portfolio (31 December 2021: 164,689 million tenge or 19.44% of gross loan portfolio). Allowance for ECL on these loans is 2,690 million tenge (31 December 2021: 1,282 million tenge).

Industry and geographical analysis of loans

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

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

millions of tenge

15. Loans to customers (continued)

Finance lease receivables

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

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

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

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

As at 31 December 2021	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Minimum lease payments receivable	2,794	4,179	3,420	278	52	10,723
Unearned finance income	(307)	(869)	(1,009)	(104)	(23)	(2,312)
Net minimum lease payments receivable	2,487	3,310	2,411	174	29	8,411

millions of tenge

16. Investment securities

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

	31 December 2022	31 December 2021
Debt securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**30,044**	21,523
Bonds of foreign countries rated at BB- to BB+	**932**	870
Total government bonds	**30,976**	22,393
Corporate bonds		
Rated from BBB- to BBB+	**177,938**	177,244
Rated from BB- to BB+	**84,414**	83,965
Total corporate bonds	**262,352**	261,209
Bonds of banks		
Rated from BBB- to BBB+	**-**	1,643
Rated from BB- to BB+	**-**	–
Rated from B- to B+	**4,711**	5,310
Total bonds of banks	**4,711**	6,953
Investment securities measured at amortised cost before allowance for ECL	**298,039**	290,555
Allowance for ECL	**(187)**	(274)
Investment securities measured at amortized cost	**297,852**	290,281
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AAA	**293**	–
Bonds of the NBRK rated BBB-	**497**	49,202
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**532,466**	507,422
Total government bonds	**533,256**	556,624

	31 December 2022	31 December 2021
Corporate bonds		
Rated from BBB- to BBB+	**125,596**	111,770
Rated from BB- to BB+	**17,180**	5,765
Rated from B- to B+	**1,963**	–
Total corporate bonds	**144,739**	117,535
Bonds of banks		
Rated from BBB- to BBB+	**12,081**	17,271
Rated from BB- to BB+	**-**	303
Rated below B+	**2,363**	3,095
Not rated	**186**	–
Total bonds of banks	**14,630**	20,669
Investments in equity instruments		
Corporate shares	**97**	–
Total investments in equity instruments	**97**	–
Investment securities measured at FVOCI	**692,722**	694,828

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

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

As at 31 December 2021, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 25,062 million tenge, were pledged under the repurchase agreements entered into at the KASE (Note 27).

In 2018 and 2019, the Group acquired bonds of NAC Kazatomprom JSC, Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC classified as investment securities at amortized cost. As at 31 December 2022, the total carrying amount of these bonds was 241,073 million tenge (31 December 2021: 236,849 million tenge).

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

millions of tenge

17. Property and equipment

The movements in property and equipment were as follows:

	Land	Buildings	Computers	Motor vehicles	Construction-in-progress and assets to be installed	Other	Right-of-use assets	Total
Cost								
At 1 January 2021	2,642	44,229	5,245	453	1,227	30,702	2,888	87,386
Additions	–	112	495	39	712	1,655	683	3,696
Transfers	–	–	60	–	(719)	659	–	–
Disposals	–	(49)	(73)	–	–	(1,780)	(729)	(2,631)
As at 31 December 2021	2,642	44,292	5,727	492	1,220	31,236	2,842	88,451
Additions	**–**	**–**	**421**	**2**	**172**	**1,696**	**1,438**	**3,729**
Transfers	**–**	**300**	**100**	**–**	**(716)**	**316**	**–**	**–**
Disposals	**–**	**(125)**	**(118)**	**–**	**(295)**	**(1,411)**	**(1,393)**	**(3,342)**
As at 31 December 2022	**2,642**	**44,467**	**6,130**	**494**	**381**	**31,837**	**2,887**	**88,838**
Accumulated depreciation								
At 1 January 2021	–	(4,150)	(2,516)	(338)	–	(13,641)	(927)	(21,572)
Depreciation charge for the year	–	(1,071)	(759)	(51)	–	(4,021)	(568)	(6,470)
Disposals	–	22	38	–	–	1,749	419	2,228
As at 31 December 2021	–	(5,199)	(3,237)	(389)	–	(15,913)	(1,076)	(25,814)
Depreciation charge for the year	**–**	**(1,081)**	**(648)**	**(30)**	**–**	**(3,250)**	**(626)**	**(5,635)**
Disposals	**–**	**58**	**111**	**–**	**–**	**910**	**552**	**1,631**
As at 31 December 2022	**–**	**(6,222)**	**(3,774)**	**(419)**	**–**	**(18,253)**	**(1,150)**	**(29,818)**
Carrying amount								
At 1 January 2021	2,642	40,079	2,729	115	1,227	17,061	1,961	65,814
As at 31 December 2021	2,642	39,093	2,490	103	1,220	15,323	1,766	62,637
As at 31 December 2022	**2,642**	**38,245**	**2,356**	**75**	**381**	**13,584**	**1,737**	**59,020**

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

millions of tenge

18. Other assets and other liabilities

Other assets comprise:

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

The Group took possession of collateral with an estimated value of 1,701 million tenge during 2022 (2021: 4,385 million tenge). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

Other liabilities comprise:

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

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

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

millions of tenge

19. Current accounts and deposits of customers (continued)

Concentration of current accounts and deposits of customers

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

As at 31 December 2022, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 287,838 million tenge (31 December 2021: 243,073 million tenge) with limited KDIF insurance coverage on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay the deposit upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

20. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

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

As at 31 December 2022, loans from government entities included loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 34,485 million tenge, 13,321 million tenge and 5,179 million tenge, respectively (31 December 2021: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC in the amount of 34,960 million tenge and 13,079 million tenge, respectively), within the framework of the state program to support small and medium-sized businesses by the banking sector, as well as the state program of concessional lending to individuals to purchase passenger vehicles of a domestic manufacturer. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2023-2052. The loan received from Industrial Development Fund JSC in May 2022 in the amount of 15,000 million tenge was recognized at a market rate of 14.12% per annum. During 2022, the fair value of car loans issued at a nominal rate of 4.00% per annum was recognized at fair value using market rates of 22.67%-24.20% per annum. In 2022, the Group recognized net income from the car lending program in the amount of 275 million tenge in the consolidated statement of comprehensive income.

As at 31 December 2022, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,225 million tenge (31 December 2021: 11,734 million tenge) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038-2050. The fair value of deposits attracted in 2022 at initial recognition was determined by the Group using a market rate of 13.53% per annum (in 2021: 14.07% to 14.40% per annum). The fair value of mortgage loans recognized as a result of a significant modification was determined by the Group using market rates from 19.72% to 20.52% per annum (2021: from 18.07% to 18.40% per annum). In 2022, the Group recognized a net loss on derecognition of loans to customers net of income from initial recognition and derecognition of KSF deposits in the amount of 4,477 million tenge (for 2021: income from initial recognition of KSF deposit net of loss on derecognition of loans to customers in the amount of 4,079 million tenge) in the consolidated statement of comprehensive income.

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

21. Debt securities issued

Debt securities issued comprise:

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

21. Debt securities issued (continued)

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

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

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

In September 2018, the Bank issued debt securities with a total nominal value of 220,000 million tenge with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for 220,000 million tenge deposit placed with the Bank on similar terms (Note 16). .

22. Subordinated debt

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

23. Share capital

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

	31 December 2022	31 December 2021
Common shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of repurchased shares	**(1,934,434,197)**	(1,934,376,697)
Number of outstanding shares	**90,452,669,892**	90,452,727,392
Total share capital, millions of tenge	**329,350**	329,350

millions of tenge

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

	Quantity of common shares	Nominal value of common shares, in million tenge
As at 1 January 2022	**90,452,727,392**	**329,350**
Repurchase of shares	**(57,500)**	–
As at 31 December 2022	**90,452,669,892**	**329,350**
At 1 January 2021	88,995,268,392	327,555
Sale of previously repurchased shares	1,457,459,000	1,795
As at 31 December 2021	90,452,727,392	329,350

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

Subject to the decision of shareholders dated 29 March 2021, the Bank declared and paid dividends on common shares for the year ended 31 December 2020, in the amount of 52,961 million tenge. There were no dividends declared in 2022.

Fair value reserve

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

The movement in the fair value reserve is as follows:

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

millions of tenge

24. Earnings per share

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

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

As at 31 December 2022 and 2021, the Bank did not have any financial instruments diluting earnings per share.

25. Risk management

Introduction

Risk management is inherent in the bank activities and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

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

Risk management structure

Board of Directors

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

Management Board

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

Risk Committees

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

Credit risk function, Strategic risk function

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

Bank Treasury

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

Internal audit

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

Risk measurement and reporting systems

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

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

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

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

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

Risk mitigation

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

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

Excessive risk concentration

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

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

millions of tenge

25. Risk management (continued)

Credit risk

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

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

Credit-related commitments risks

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

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

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

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

Impairment assessment

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

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

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

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

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

Definition of default and cure

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

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

- Internal rating of the borrower (corporate business)/counterparty bank indicating default or near-default;
- Suspension of the loan contractual interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and / or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;
- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Withdrawal of rating assigned at the time of issuing a loan;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation / suspension of the license of the counterparty bank;
- Dease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the unit working with non-performing loans.

25. Risk management (continued)

Credit risk (continued)

Definition of default and cure (continued)

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

The internal rating and PD estimation process

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

Treasury and interbank relationships

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

Corporate and small business lending

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

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

Retail lending

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

Exposure at default

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

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

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

Loss given default

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

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

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

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

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

Significant increase in credit risk

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

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

millions of tenge

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis

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

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

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

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

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

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

Forward-looking information and multiple economic scenarios

As at 31 December 2022, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- Price per a barrel of oil;
- Rate of inflation;
- GDP growth;
- Refinancing rate;
- USD/KZT rate;
- Real salary index;
- Number of new COVID-19 infections per a month.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK and international credit institutions). Experts of the Bank's Strategic Risks Function determine the weights attributable to the multiple scenarios. A range of forecast values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 December 2022 are presented below:

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

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

Credit quality per class of financial assets

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

millions of tenge

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

External international rating agency's (Moody's) rating	International external rating agency (Fitch) rating	Annual PD
Aa1 to Aaa	AA+ to AAA	
Aa2	AA	
A1 to Aa3	A+ to AA-	**0.00-0.07%**
A3 to A2	A- to A	
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	**0.05-0.50%**
Ba3 to Ba2	BB- to BB	
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	**0.81-10.40%**
Ca to Caa3	C to CCC-	**23.69-44.00%**
Default	D	**100.00%**

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

Securities issuer sector	LGD
Government securities	**47.00%**
Securities of corporate sector including banks	**61.98%**

Geographic information

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

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and marker exchange rates.

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

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

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

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

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

Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis points symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 2021 is as follows:

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

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

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

millions of tenge

25. Risk management (continued)

Market risk (continued)

Currency risk

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

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

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

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

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

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

millions of tenge

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Negative amounts in the table reflect a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

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

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

Operational risk

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

Liquidity risk

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

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

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

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

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

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

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

millions of tenge

25. Risk management (continued)

Liquidity risk (continued)

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

31 December 2022	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Non-derivative financial assets							
Cash and cash equivalents	342,465	116,437	–	–	–	458,902	457,962
Amounts due from credit institutions	–	–	–	14,460	16,586	31,046	31,046
Securities at fair value through profit or loss	313	–	235	–	2,215	2,763	2,763
Loans to customers	93,008	125,208	491,819	1,368,373	125,056	2,203,464	1,173,542
Investment securities	29,399	33,680	217,275	807,876	73,576	1,161,806	990,574
Other financial assets	4,522	136	595	11,921	55	17,229	17,229
Total non-derivative financial assets	**469,707**	**275,461**	**709,924**	**2,202,630**	**217,488**	**3,875,210**	**2,673,116**
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,259,520)	(118,159)	(520,829)	(133,343)	(11,496)	(2,043,347)	(2,011,734)
Amounts due to banks and other credit institutions	(397)	(494)	(3,002)	(17,504)	(71,383)	(92,780)	(66,751)
Amounts payable under repurchase agreements	(65,297)	(3,434)	–	–	–	(68,731)	(67,980)
Debt securities issued	(2,530)	–	(20,466)	(266,416)	–	(289,412)	(249,473)
Subordinated debt	(2,431)	–	(1,958)	(15,166)	(4,176)	(23,731)	(16,795)
Other financial liabilities	(9,246)	(58)	(4,696)	(3)	(1,771)	(15,774)	(15,774)
Total non-derivative financial liabilities	**(1,339,421)**	**(122,145)**	**(550,951)**	**(432,432)**	**(88,826)**	**(2,533,775)**	**(2,428,507)**
Net liquidity gap on financial assets and financial liabilities	**(869,714)**	**153,316**	**158,973**	**1,770,198**	**128,662**	**1,341,435**	**244,609**
Contingent liabilities	**(9,930)**	**(10,401)**	**(16,428)**	**(31,874)**	**(2,107)**	**(70,740)**	

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

millions of tenge

25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2021 is as follows:

31 December 2021	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Non-derivative financial assets							
Cash and cash equivalents	433,206	–	–	–	–	433,206	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	46,990	46,990
Securities at fair value through profit or loss	102	–	–	–	2,868	2,970	2,970
Loans to customers	79,003	70,008	290,787	965,354	177,764	1,582,916	808,948
Investment securities	49,216	40,148	165,137	869,915	68,694	1,193,110	985,109
Other financial assets	1,133	11	5,958	15,453	371	22,926	22,926
Total non-derivative financial assets	562,660	110,167	461,882	1,882,026	265,383	3,282,118	2,299,891
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,030,317)	(151,819)	(356,355)	(210,102)	(14,379)	(1,762,972)	(1.733.759)
Amounts due to banks and other credit institutions	(179)	(916)	(3,931)	(38,477)	(75,447)	(118,950)	(85.189)
Amounts payable under repurchase agreements	(25,180)	–	–	–	–	(25,180)	(25.064)
Debt securities issued	(2,530)	–	(40,746)	(242,917)	–	(286,193)	(253.120)
Subordinated debt	(119)	–	(7,360)	(9,683)	(10,300)	(27,462)	(20.503)
Other financial liabilities	(8,518)	(38)	(2,945)	(1)	(2,095)	(13,597)	(13.597)
Total non-derivative financial liabilities	(1,066,843)	(152,773)	(411,337)	(501,180)	(102,221)	(2,234,354)	(2.131.232)
Net liquidity gap on financial assets and financial liabilities	(504,183)	(42,606)	50,545	1,380,846	163,162	1,047,764	168.659
Contingent liabilities	(6,259)	(8,587)	(10,400)	(34,524)	(390)	(60,160)	

millions of tenge

26. Maturity analysis of assets and liabilities

The following table shows the expected maturities of assets and liabilities as at 31 December 2022 and 2021:

31 December 2022	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Without maturity	Overdue	Total
Assets								
Cash and cash equivalents	342,169	115,793	–	–	–	–	–	457,962
Amounts due from credit institutions	–	–	–	14,460	16,586	–	–	31,046
Securities at fair value through profit or loss	313	–	235	–	–	2,215	–	2,763
Loans to customers	68,528	97,625	366,857	581,950	40,386	–	18,196	1,173,542
Investment securities	28,215	32,224	183,756	703,785	42,594	–	–	990,574
Property and equipment	–	–	–	–	–	59,020	–	59,020
Intangible assets	–	–	–	–	–	14,550	–	14,550
Other assets	7,751	136	38,940	11,921	55	–	1,126	59,929
Total assets	446,976	245,778	589,788	1,312,116	99,621	75,785	19,322	2,789,386
Liabilities								
Current accounts and deposits of customers	(1,258,918)	(116,573)	(504,926)	(122,713)	(8,604)	–	–	(2,011,734)
Amounts due to banks and other credit institutions	(142)	(196)	(1,526)	(9,434)	(55,453)	–	–	(66,751)
Amounts payable under repurchase agreements	(64,678)	(3,302)	–	–	–	–	–	(67,980)
Debt securities issued	(2,151)	–	(499)	(246,823)	–	–	–	(249,473)
Subordinated debt	(2,431)	–	(159)	(11,042)	(3,163)	–	–	(16,795)
Deferred tax liabilities	–	–	–	(13,904)	–	–	–	(13,904)
Other liabilities	(9,258)	(58)	(7,873)	(29)	(1,771)	–	–	(18,989)
Total liabilities	(1,337,578)	(120,129)	(514,983)	(403,945)	(68,991)	–	–	(2,445,626)
Net position	(890,602)	125,649	74,805	908,171	30,630	75,785	19,322	343,760
Net accumulated position	(890,602)	(764,953)	(690,148)	218,023	248,653	324,438	343,760	

millions of tenge

26. Maturity analysis of assets and liabilities (continued)

31 December 2021	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Without maturity	Overdue	Total
Assets								
Cash and cash equivalents	432,948	–	–	–	–	–	–	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	–	–	46,990
Securities at fair value through profit or loss	102	–	–	–	1,518	1,350	–	2,970
Loans to customers	38,954	53,134	206,315	419,216	55,712	–	35,617	808,948
Investment securities	47,971	38,692	133,660	714,306	50,480	–	–	985,109
Property and equipment	–	–	–	–	–	62,637	–	62,637
Intangible assets	–	–	–	–	–	14,071	–	14,071
Other assets	973	8	62,368	2,975	1,173	3,664	955	72,116
Total assets	520,948	91,834	402,343	1,167,801	124,569	81,722	36,572	2,425,789
Liabilities								
Current accounts and deposits of customers	(1,027,399)	(147,516)	(345,974)	(199,494)	(13,376)	–	–	(1,733,759)
Amounts due to banks and other credit institutions	(149)	(443)	(1,382)	(30,861)	(52,354)	–	–	(85,189)
Amounts payable under repurchase agreements	(25,064)	–	–	–	–	–	–	(25,064)
Debt securities issued	(2,151)	–	(32,035)	(218,934)	–	–	–	(253,120)
Subordinated debt	(119)	–	(6,180)	(5,396)	(8,808)	–	–	(20,503)
Deferred tax liabilities	–	–	–	(13,987)	–	–	–	(13,987)
Other liabilities	(8,548)	(38)	(5,765)	(1)	(2,095)	–	(23)	(16,470)
Total liabilities	(1,063,430)	(147,997)	(391,336)	(468,673)	(76,633)	–	(23)	(2,148,092)
Net position	(542,482)	(56,163)	11,007	699,128	47,936	81,722	36,549	277,697
Net accumulated position	(542,482)	(598,645)	(587,638)	111,490	159,426	241,148	277,697	

millions of tenge

27. Offsetting of financial instruments

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

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

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

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

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

As at 31 December 2022, the Group has payables under repurchase agreements in the amount of 67,980 million tenge, which are collateralized by investment securities with a total fair value of 68,128 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC) (Note 16).

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

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

31 December 2022	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/(liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position Financial instruments	Net amount
Derivative financial instruments	**65,209**	**(64,994)**	**215**	**–**	**215**
Receivables under reverse repurchase agreements (Note 12)	**48,062**	**–**	**48,062**	**(48,027)**	**35**
Payable under repurchase agreements (Note 16)	**(67,980)**	**–**	**(67,980)**	**68,128**	**148**
	45,291	**(64,994)**	**(19,703)**	**20,101**	**398**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021.

31 December 2021	Gross amount of recognized financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/(liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position Financial instruments	Net amount
Derivative financial instruments	25,768	(26,279)	(511)	–	(511)
Receivables under reverse repurchase agreements (Note 12)	144,646	–	144,646	(145,653)	(1,007)
Payable under repurchase agreements (Note 16)	(25,064)	–	(25,064)	25,062	(2)
	145,350	(26,279)	119,071	(120,591)	(1,520)

millions of tenge

28. Changes in liabilities arising from financing activities

	Debt securities issued	Subordinated debt	Total liabilities arising from financing activities
Carrying amount as at 31 December 2020	240,202	20,503	260,705
Proceeds from issue	4	–	4
Repurchase	(1,088)	–	(1,088)
Accrual of interest	16,494	1,616	18,110
Repayment of interest	(16,502)	(1,616)	(18,118)
Foreign exchange differences	805	–	805
Unwinding of discount	13,205	–	13,205
Carrying amount as at 31 December 2021	253,120	20,503	273,623
Proceeds from issue	**13,295**	**–**	**13,295**
Redemption	**(34,306)**	**(3,675)**	**(37,981)**
Accrual of interest	**15,407**	**1,456**	**16,863**
Repayment of interest	**(15,467)**	**(1,489)**	**(16,956)**
Foreign exchange differences	**2,449**	**–**	**2,449**
Unwinding of discount	**14,975**	**–**	**14,975**
Carrying amount as at 31 December 2022	**249,473**	**16,795**	**266,268**

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

29. Capital management

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

As at 31 December 2022 and 2021 the Bank had complied in full with all its externally imposed capital requirements.

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

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

The NBRK sets and monitors capital requirements for the Bank.

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

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

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

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2022 and 2021:

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

millions of tenge

30. Commitments and contingencies

Political and economic environment

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

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

Credit related commitments

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

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

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

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

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

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

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

Legal proceedings

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

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

Contingent tax liabilities

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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

31. Related party transactions

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

Total remuneration to 11 members of the Management Board and Board of Directors (2021: 13 members) included in general and administrative expenses for 2022 and 2021 is as follows:

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

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

As at 31 December 2022, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 3,221 million tenge (31 December 2021: 1,800 million tenge) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is payable over a period of at least three years, subject to the established conditions.

31. Related party transactions (continued)

Related party transactions

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2022 and related profit or loss amounts of transactions for 2022 with related parties are as follows:

2022

	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	–	–	–	–	4,690	5.22	4,690
Other assets	–	–	181	–	1	–	182
Liabilities							
Current accounts and deposits of customers	19,498	1.00	39,401	3.90	9,483	3.29	68,382
Other liabilities	–	–	75	–	–	–	75
Contingent liabilities	–	–	–	–	111	–	111
Guarantees issued	–	–	–	–	79	–	79

2022

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

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

2021

	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	–	–	–	–	4,395	5.53	4,395
Other assets	–	–	126	–	3	–	129
Liabilities							
Current accounts and deposits of customers	23,316	1.00	44,905	2.51	8,389	1.42	76,610
Other liabilities	–	–	186	–	–	–	186
Contingent liabilities	–	–	–	–	71	–	71
Guarantees issued	–	–	–	–	73	–	73

2021

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

millions of tenge

32. Segment analysis

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

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

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

31 December 2022	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	80,130	70,252	91,717	209,665	6,198	457,962
Amounts due from credit institutions	3,134	3,865	293	23,754	–	31,046
Securities at fair value through profit or loss	–	–	–	2,763	–	2,763
Loans to customers	382,300	344,295	428,375	–	18,572	1,173,542
Investment securities	–	–	–	990,574	–	990,574
Property and equipment	–	–	–	–	59,020	59,020
Intangible assets	–	–	–	–	14,550	14,550
Other assets	85	177	102	–	59,565	59,929
Total assets	465,649	418,589	520,487	1,226,756	157,905	2,789,386

31 December 2022	CB	SMB	RB	Investing activities	Other	Total
Liabilities						
Current accounts and deposits of customers	680,679	582,487	748,472	–	96	2,011,734
Amounts due to banks and other credit institutions	10,518	34,310	7,915	37	13,971	66,751
Amounts payable under repurchase agreements	–	–	–	67,980	–	67,980
Debt securities issued	–	–	13,040	186,660	49,773	249,473
Subordinated debt	–	–	–	–	16,795	16,795
Deferred tax liabilities	–	–	–	–	13,904	13,904
Other liabilities	24	90	1,531	8	17,336	18,989
Total liabilities	691,221	616,887	770,958	254,685	111,875	2,445,626
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	(23,886)	(23,886)
Retained earnings	–	–	–	–	14,645	14,645
Total equity attributable to shareholders of the Bank	–	–	–	–	343,760	343,760

Information on the main reporting segments for 2022 is presented as follows:

	2022						
	CB	SMB	RB	Investing activities	Other	Elimi-nation	Total
Interest income	25,608	43,350	92,556	93,720	5,507	–	260,741
Transfer income	55,604	43,475	44,413	40,240	17,383	(201,115)	–
Interest expense	(39,311)	(16,916)	(29,488)	(36,404)	(9,989)	–	(132,108)
Transfer expenses	(18,813)	(29,470)	(39,622)	(103,739)	(2,262)	193,906	–
Net interest income	23,088	40,439	67,859	(6,183)	10,639	(7,209)	128,633

millions of tenge

32. Segment analysis (continued)

2022	CB	SMB	RB	Investing activities	Other	Elimi-nation	Total
Fee and commission income	2,660	20,101	13,266	56	127	-	36,210
Fee and commission expense	(1,310)	(5,707)	(4,964)	(261)	-	-	(12,242)
Net gains from financial instruments at fair value through profit or loss	-	-	-	2,011	-	-	2,011
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	311	-	-	311
Net losses on derecognition of financial assets measured at amortized cost	-	-	(4,334)	-	(143)	-	(4,477)
Net gains from foreign currencies	12,318	21,364	6,170	9,597	413	-	49,862
Other income	142	480	641	89	2,392	-	3,744
Non-interest income	13,810	36,238	10,779	11,803	2,789	-	75,419
Credit loss expense	(1,380)	(11,033)	(21,799)	(302)	(3,136)	-	(37,650)
General and administrative expenses	(3,864)	(17,098)	(30,835)	(1,346)	(9,062)	-	(62,205)
Other expenses	(300)	(239)	(3,692)	(99)	(1,154)	-	(5,484)
Non-interest expense	(5,544)	(28,370)	(56,326)	(1,747)	(13,352)	-	(105,339)
Other transfer income and expenditures	(3,279)	(2,928)	(3,554)	15,239	(12,687)	7,209	-
Profit /(loss) before corporate income tax expense	28,075	45,379	18,758	19,112	(12,611)	-	98,713
Corporate income tax expenses	(162)	(254)	(104)	(107)	-	-	(627)
Profit/(loss) for the year	27,913	45,125	18,654	19,005	(12,611)	-	98,086

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

millions of tenge

32. Segment analysis (continued)

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

2021	CB	SMB	RB	Investing activities	Other	Elimi-nation	Total
Interest income	14,856	31,746	66,556	74,015	5,871	–	193,044
Transfer income	35,433	26,178	30,039	23,508	8,443	(123,601)	–
Interest expense	(26,783)	(13,066)	(22,699)	(24,592)	(9,969)	–	(97,109)
Transfer expenses	(10,548)	(19,822)	(30,770)	(76,210)	(3,891)	141,241	–
Net interest income	12,958	25,036	43,126	(3,279)	454	17,640	95,935
Fee and commission income	2,492	19,783	14,980	17	21	–	37,293
Fee and commission expense	(1,296)	(9,007)	(4,241)	(222)	(43)	–	(14,809)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(1,154)	–	–	(1,154)
Net losses on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	(195)	–	–	(195)
Net (losses)/gains on derecognition of financial assets measured at amortized cost	–	–	(2,910)	–	6,989	–	4,079
Net gain/(losses) from foreign currencies	3,663	5,547	2,710	(2,083)	1,188	–	11,025
Other income	(158)	644	221	3	3,413	–	4,123
Non-interest income	4,701	16,967	10,760	(3,634)	11,568	–	40,362

2021	CB	SMB	RB	Investing activities	Other	Elimi-nation	Total
Credit loss expense	2,026	(1,917)	(10,610)	1,836	(1,218)	–	(9,883)
General and administrative expenses	(2,897)	(12,260)	(28,047)	(1,344)	(6,734)	–	(51,282)
Other expenses	(221)	(272)	(3,544)	(56)	(3,936)	–	(8,029)
Non-interest expense	(1,092)	(14,449)	(42,201)	436	(11,888)	–	(69,194)
Other transfer income and expenditures	(2,783)	521	(2,476)	36,361	(13,983)	(17,640)	–
Profit /(loss) before corporate income tax expense	13,784	28,075	9,209	29,884	(13,849)	–	67,103
Corporate income tax expenses	(231)	(470)	(154)	(501)	(1,687)	–	(3,043)
Profit/(loss) for the year	13,553	27,605	9,055	29,383	(15,536)	–	64,060

millions of tenge

33. Fair value of financial instruments

Accounting classification and fair values

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

	31 December 2022				
	Assets and liabilities measured at fair value	Assets and liabilities whose fair value is disclosed	Total carrying amount	Fair value	Unrecognised gain/(loss)
Cash and cash equivalents	–	457,962	457,962	457,962	–
Amounts due from credit institutions	–	31,046	31,046	31,046	–
Securities at fair value through profit or loss	2,763	–	2,763	2,763	–
Loans to customers	–	1,173,542	1,173,542	1,157,280	(16,262)
Investment securities measured at FVOCI	692,722	–	692,722	692,722	–
Investment securities measured at amortized cost	–	297,852	297,852	280,156	(17,696)
Other financial assets		17,229			
	695,485	1,977,631	2,673,116	2,639,158	(33,958)
Current accounts and deposits of customers	–	2,011,734	2,011,734	2,011,175	559
Amounts due to banks and other credit institutions	–	66,751	66,751	62,862	3,889
Amounts payable under repurchase agreements	–	67,980	67,980	68,128	(148)
Debt securities issued	–	249,473	249,473	225,002	24,471
Subordinated debt	–	16,795	16,795	12,941	3,854
Other financial liabilities	–	15,774	15,774	15,774	–
	–	2,428,507	2,428,507	2,395,882	32,625
					(1,333)

millions of tenge

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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

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

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

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

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

millions of tenge

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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

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

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates to carrying value

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

Financial assets and financial liabilities accounted for at amortised cost

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

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

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

Fair value hierarchy

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

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

The following table analyses financial instruments carried at fair value as at 31 December 2022, by fair value hierarchy, into which the fair value measurement is categorised.

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

The following table analyses financial instruments carried at fair value as at 31 December 2021, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position.

	Note	Level 1	Level 2	Level 3	Total
Assets					
Securities at fair value through profit or loss	14	1,518	–	1,452	2,970
Investment securities measured at FVOCI	16	579,407	115,421	–	694,828
		580,925	115,421	1,452	697,798

As at 31 December 2022, KSF debt securities measured FVOCI in the amount of 109,985 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2021: 95,705 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

millions of tenge

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

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

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

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

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Assets					
Cash and cash equivalents	**–**	**457,962**	**–**	**457,962**	**457,962**
Amounts due from credit institutions	**–**	**31,046**	**–**	**31,046**	**31,046**
Loans to customers	**–**	**–**	**1,157,280**	**1,157,280**	**1,173,542**
Investment securities measured at amortized cost	**34,028**	**18,934**	**227,194**	**280,156**	**297,852**
Other financial assets	**–**	**–**	**17,229**	**17,229**	**17,229**
Liabilities					
Current accounts and deposits of customers	**–**	**2,011,175**	**–**	**2,011,175**	**2,011,734**
Amounts due to banks and other credit institutions	**–**	**62,862**	**–**	**62,862**	**66,751**
Amounts payable under repurchase agreements	**–**	**68,128**	**–**	**68,128**	**67,980**
Debt securities issued	**–**	**225,002**	**–**	**225,002**	**249,473**
Subordinated debt	**–**	**12,941**	**–**	**12,941**	**16,795**
Other financial liabilities	**–**	**15,774**	**–**	**15,774**	**15,774**

millions of tenge

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

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

As at 31 December 2021, KSF debt securities measured at amortized cost in the amount of 4,528 million tenge are classified in Level 2 of the fair value hierarchy. These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

GLOSSARY

ForteBank, JSC, ForteBank, Forte, the Bank – ForteBank Joint-Stock Company

AQR – Asset Quality Review

eNPS – employee Net Promoter Score

ESG – Environmental, Social and Corporate Governance

GAP analysis – a strategic analysis method that allows seeking steps required to achieve the goal

GRI – Global Reporting Initiative

IT – Information Technology

LGD – Loss Given Default

MAU – number of active users visiting the Bank's mobile app at least once a month

mNPS – manager Net Promoter Score

NPL – loans with overdue principal payments and/or remuneration payments for over 90 days

NPS – Net Promoter Score

KASE – Kazakhstan Stock Exchange

KPI – key performance indicators KYC – "know your customer" questionnaire

ROA – return on assets

ROE – return on equity

SAS – Sustainability Accounting Standards

VaR – value at risk

UX/UI – user experience/user interface

SASB – Sustainability Accounting Standards Board

TCFD – Task Force on Climate-Related Financial Disclosures, an organization that provides investors with information about companies' actions taken to reduce climate change risks and ensures transparent risk management methods

JSC – joint-stock company

AFR – Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market

STB – second-tier banks

BNS ASPR RK – Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

GDP – gross domestic product

GCal – gigacalorie

EAG – Eurasian group on combating money laundering and financing of terrorism; an associate member of the FATF

EBRD – European Bank for Reconstruction and Development

IE – individual entrepreneur

CPI – Consumer Price Index

QI – Quantity Index

kWh – kilowatt-hour

HOCC – Head Office Credit Committee

CCSMB – Head Office Credit Committee for Small and Medium-sized Business

CGC – Corporate Governance Code

KAS – Kazakhstan Accounting Standards

KFRS – Kazakhstan Financial Reporting Standards

ALMC – Asset and Liability Management Committee

HO SCCSMB – Head Office Small Credit Committee for Small and Medium-sized Business

SME – small and medium-sized enterprises

IFRS – International Financial Reporting Standards

NBK – National Bank of Kazakhstan

OJSC – open joint-stock company

ML/FT – organized systematic activities to identify and study sources and methods of money laundering and financing of terrorism, as well as to search for weaknesses in AML/CFT systems that directly or indirectly affect the assessing country

UN – the United Nations

pp – percentage point

PJSC – public joint-stock company

AML/CFT – Anti-Money Laundering/Combating the Financing of Terrorism

POCI (purchased or originated credit-impaired financial assets) – financial assets that were credit-impaired when initially recognized

RK – Republic of Kazakhstan

IAS – Internal Audit Service (the Bank's unit)

Media – mass communication

Stage 3 – credit-impaired loans

Senior bonds – bonds which have an advantage compared to other bonds regarding rights to the Bank's assets and income LLP – limited liability partnership

ES – emergency situation

FATF – an intergovernmental organization that develops global standards in the field of anti-money laundering and countering the financing of terrorism (AML/CFT), which also assesses compliance of national AML/CFT systems with these standards

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No. 1.2.29/197/36 dated February 03, 2020, issued to ForteBank, JSC

Certificate of State Re-registration dated February 10, 2015

Correspondent account:

KZ23125KZT1001300204 at the Government Agency "National Bank of the Republic of Kazakhstan"

BIC:

IRTYKZKA

BCC:

14

SWIFT:

IRTY KZ KA

Reuters Dealing Code:

ALKZ

OKPO code:

390 314 59

LEI code:

529900TH5WJ6KE8N8Z35

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Luxembourg Stock Exchange

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