IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached document and you are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the document you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from "ForteBank" JSC (the "**Issuer**") or J.P. Morgan Securities plc (the "**Sole Lead Manager and Bookrunner**") or "ForteFinance" JSC (the "**Kazakhstan Manager**" and together with the Sole Lead Manager and Bookrunner, the "**Managers**") named herein as a result of such access. The attached document is intended for the addressee only.

THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE NOTES (THE "**NOTES**") REFERENCED IN THE ATTACHED DOCUMENT HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES; DIRECTLY OR INDIRECTLY, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your Representation: In order to be eligible to view the attached document or make an investment decision with respect to the Notes, prospective investors must be either (1) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (2) purchasing outside the United States in accordance with Regulation S under the Securities Act. The attached document is being sent to you at your request, and by accessing the attached document you shall be deemed to have represented to the Issuer and the Sole Lead Manager and Bookrunner that (1) either (a) you and any customers you represent are QIBs or (b) you and any customers you represent are located outside the United States and the electronic mail address that you have provided and to which this email has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia and (2) you consent to delivery of the attached document by electronic transmission.

In addition, in the United Kingdom, the attached document is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (c) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) in connection with the issue or sale of any securities of the Issuer or any member of its Group (as defined herein) may otherwise lawfully be communicated or caused to be communicated (all such persons together referred to as "**relevant persons**"). Any investment or investment activity to which the document relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

This document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

Manufacturer target market (MiFID II product governance and UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No European Economic Area (EEA) or

the United Kingdom (UK) PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the EEA or in the UK.

Neither this electronic transmission nor the attached document constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any securities in any jurisdiction where such an offer or invitation would be unlawful. This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Managers, the Trustee, the Principal Paying Agent, the Paying Agents, the Registrar nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this document distributed to you in electronic format.

No representation or warranty, expressed or implied, is made or given by or on behalf of the Managers, the Trustee, the Principal Paying Agent, the Paying Agents, the Registrar nor any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any affiliate of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

Neither the issue of the Notes nor a securities prospectus in respect of the Notes has been, or is intended to be, registered with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market. The information contained in this electronic transmission and the attached document is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in Kazakhstan to or for the benefit of any Kazakhstani person or entity, except for compliance with the Local Offering Requirement (as defined below), and except for those persons or entities that are capable of doing so under the legislation of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This electronic transmission and the attached document shall not be construed as an advertisement (i.e. information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in the Company and its merchandise, trademarks, works, services and/or its securities and promote their sales) in, and for the purpose of the laws of, Kazakhstan, unless such advertisement is in full compliance with Kazakhstani laws and the rules and regulations of the Astana International Financial Centre ("**AIFC**").

"FORTEBANK" JSC
(*incorporated in the Republic of Kazakhstan*)

U.S.$400,000,000 7.75 per cent. Notes due 2030

Issue Price 98.986 per cent.

"ForteBank" JSC (the "**Issuer**" and the "**Bank**"), a bank incorporated under the laws of the Republic of Kazakhstan, is issuing an aggregate principal amount of the U.S.$400,000,000 7.75 per cent. Notes due 2030 (the "**Notes**"). The Notes will be constituted by, subject to, and have the benefit of a trust deed to be dated 4 February 2025 (as may be amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**") for the benefit of Noteholders (as defined in the "*Terms and Conditions of the Notes*").

Interest on the Notes will accrue from 4 February 2025 (the "**Closing Date**") and will be payable semi-annually in arrear on 4 February and 4 August of each year (each an "**Interest Payment Date**"), commencing on 4 August 2025 (the "**Interest Commencement Date**").

The Notes mature on 4 February 2030 (the "**Maturity Date**") but may be redeemed before then at the option of the Issuer in whole but not in part, at any time, but on one occasion only, on giving not less than 30 nor more than 60 days' irrevocable notice, at a price equal to the principal amount thereof, plus interest and other amounts that may be due pursuant to these Conditions (if any) accrued but unpaid to but excluding the date on which the call option is to be settled, plus the Make Whole Premium (as defined in the "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption at Make Whole*"). The Issuer may also redeem the Notes in whole, but not in part, at their principal amount together with any accrued and unpaid interest, if the Issuer has or will become obliged to pay certain additional amounts as further described under "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for tax reasons*". The Issuer may also redeem the Notes, in whole but not in part, at any time on or after the date falling one month prior to the Maturity Date, on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus any accrued and unpaid interest, up to but excluding the date of redemption, as more fully described under "*Terms and Conditions of the Notes—Redemption and Purchase—Optional Redemption at Par*". If a Change of Control Put Event (as defined in the "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*") occurs, the Issuer shall, at the option of a holder of any Note, redeem or purchase such Note on the Change of Control Put Date (as defined in the "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*") at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Put Date. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*".

Application has been made to Wiener Börse AG (the "**Vienna Stock Exchange**") for the Notes to be included in trading on the Vienna MTF of the Vienna Stock Exchange, a multilateral trading facility (the "**Vienna MTF**"). References in this Information Memorandum to the Notes being "listed" (and all related references) shall mean that the Notes have been included in trading on the Vienna MTF. The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the Official List and trading on the Astana International Exchange Ltd (the "**AIX**") from (and including) the date of the issue of the Notes. Simultaneously with the offering of the Notes outside of the Republic of Kazakhstan, the Notes must be offered through the AIX on the same terms on which the Notes are being offered in a foreign state in the volume of not less than 20.0 per cent. of the total volume of the Notes to be placed (the "**Local Offering Requirement**"). In connection with the listing of the Notes on the AIX and the offer and sale of Notes in Kazakhstan, "ForteFinance" JSC will act as sole Kazakhstan Manager (the "**Kazakhstan Manager**"), and J.P. Morgan Securities plc as the Sole Lead Manager and Bookrunner will not be involved in such process. Neither the Vienna MTF nor the AIX is a regulated market for the purpose of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**").

Investing in the Notes involves risks. See "Risk Factors" starting on page 7 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

The Notes are expected to be rated 'BB' by Fitch Ratings Ltd ("**Fitch**") and 'Ba3' by Moody's Investors Service Middle East Limited ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Fitch is not established in the European Economic Area (the "**EEA**"), but the rating it has given to the Notes is endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under the Regulation (EC) No. 1060/2009 (the "**EU CRA Regulation**"). Moody's is not established in the EEA, but the rating it has given to the Notes is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under the EU CRA Regulation.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States (such Notes, the "**Regulation S Notes**") in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States (such Notes, the "**Rule 144A Notes**") to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on and in compliance with Rule 144A. Prospective purchasers are hereby notified that sellers of any Rule 144A Note may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Information Memorandum, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Regulation S Notes will be represented by beneficial interests in an unrestricted global note (the "**Regulation S Global Note**"), in registered form and without interest coupons attached. The Regulation S Global Note will be deposited with a common depositary for Euroclear Bank SA/NA ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and registered in the name of a nominee of such common depositary on or about the Closing Date. The Rule 144A Notes will be represented by beneficial interests in a restricted global note (the "**Rule 144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**").

The Global Notes will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive, registered, form, without interest coupons. See "*Summary of the Provisions relating to the Notes when in Global Form*". Interests in the Rule 144A Global Note will be subject to certain restrictions on transfer. See "Transfer Restrictions". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Notes will be made on or about the Closing Date. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

Sole Lead Manager and Bookrunner

J.P. Morgan

Kazakhstan Manager

ForteFinance JSC

Information Memorandum dated 31 January 2025

IMPORTANT INFORMATION ABOUT THIS INFORMATION MEMORANDUM

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer, the information contained in this Information Memorandum is in accordance with the facts and this Information Memorandum makes no omission likely to affect its import.

The AIX and its related companies and their respective directors, officers and employees do not accept responsibility for the content of this Information Memorandum, including the accuracy or completeness of any information or statements included in it. Liability for the Information Memorandum lies with the Issuer and other persons whose opinions are included in this Information Memorandum with their consent. Nor has the AIX, its directors, officers or employees assessed the suitability of the Notes to which this Information Memorandum relates for any particular investor or type of investor. If you do not understand the contents of this Information Memorandum or are unsure whether the Notes are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

THE NOTES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. AN INVESTMENT IN THE NOTES IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND MAY RESULT IN THE LOSS OF ALL OR PART OF THE INVESTMENT.

No person is authorised to give any information or to make any representation in connection with the offer or sale of the Notes other than as contained in this Information Memorandum and any information or representation not so contained must not be relied upon as having been authorised by the Issuer, the Trustee, any Agent (as defined herein) or the Managers. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the business and affairs of the Issuer or the Issuer and its consolidated subsidiaries taken as a whole (the "**Group**") since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or that the information contained in it is correct as at any time subsequent to the date on which it is supplied. No representation or warranty, express or implied, is made by the Managers, any Agent or the Trustee as to the accuracy or completeness of such information. None of the Managers, the Agents or the Trustee accepts any responsibility whatsoever for the contents of this Information Memorandum or for any other statement made or purported to be made by it, or on its behalf, in connection with the Issuer or the Notes. Each of the Managers, the Agents and the Trustee accordingly disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this Information Memorandum or any such statement.

This Information Memorandum does not constitute an offer to sell, or a solicitation to subscribe for or purchase, by or on behalf of the Issuer, the Managers or any other person, any of the Notes in any jurisdiction where it is unlawful for such person to make such offer or solicitation. The distribution of this Information Memorandum and the offer and sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Information Memorandum may come are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. This Information Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Information Memorandum is set out under "*Subscription and Sale*".

No action has been or will be taken to permit a public offering of the Notes or the distribution of this Information Memorandum (in any form) in any jurisdiction where action is required for such purposes.

None of the Issuer, the Managers, the Agents, the Trustee, or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. The contents of this Information Memorandum should not be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Notes.

To the fullest extent permitted by law, the Managers, the Agents and the Trustee accept no responsibility whatsoever for the Notes, the Trust Deed or the Paying Agency Agreement (each as defined herein) (including the effectiveness thereof) or the contents of this Information Memorandum or for any other statement made or purported to be made by a Manager, an Agent or the Trustee or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Managers, each Agent and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the Notes, the Trust Deed, the Paying Agency Agreement, this Information Memorandum or any such statement.

In connection with the offering of the Notes, the Managers and any of their affiliates, acting as investors for their own accounts, may purchase Notes and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Notes and other securities of the Issuer or related investments in connection with the offering of the Notes or otherwise. Accordingly, references in this Information Memorandum to the Notes being issued, offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, placing or dealing by, the Managers and any of their affiliates acting as investors for their own accounts. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Recipients of this Information Memorandum are authorised to use it solely for the purpose of considering an investment in the Notes and may not reproduce, forward or distribute this Information Memorandum, in whole or in part, and may not disclose any of the contents of this Information Memorandum or use any information herein for any purpose other than considering an investment in the Notes.

Persons into whose possession this Information Memorandum comes are required by the Issuer, the Managers to inform themselves about and to observe any such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, the Managers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, the Agents, the Trustee, the Group or the Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Such investors should consult their legal advisers regarding such matters.

The Managers and their respective affiliates may have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Issuer and its affiliates (including its shareholders).

Prior to making any decision as to whether to invest in the Notes, prospective investors should read this Information Memorandum. In making an investment decision, prospective investors must rely upon their own examination of the Issuer and the Group and the terms of this Information Memorandum, including the risks involved. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and, in particular, the information contained or incorporated by reference in this Information Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the merit and risks of an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic considerations, interest rate volatility and other factors that may affect its investment and its ability to bear the applicable risks.

If investors are in any doubt about the contents of this Information Memorandum, investors should consult a stockbroker, bank manager, solicitor, accountant or other financial adviser.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purpose of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in the UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

NOTICE TO THE UNITED KINGDOM INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or

otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE U.S. INVESTORS

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other regulatory authority in the United States nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Information Memorandum. Any representation to the contrary is a criminal offence in the United States.

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on the exemption from registration provided by Rule 144A (see "*Subscription and Sale*"). Prospective purchasers are hereby notified that sellers of any Rule 144A Note may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "*Transfer Restrictions*".

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manager may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

CERTAIN INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM

In this Information Memorandum, the Issuer relies on and refers to publicly available information released by official and unofficial sources other than the Issuer. These sources include, but are not limited to, the National Bank of the Republic of Kazakhstan (the "**NBK**"), research reports, analyst reports, press releases, securities filings and industry publications. Although the Issuer believes that this information is reliable, it has not independently verified this information and cannot guarantee its accuracy and completeness. In addition, some of the information contained in this Information Memorandum has been derived from official data published by the Kazakhstan Government (the "**Kazakhstan Government**" or "**Government**"). Official statistics and other data published by the Kazakhstan Government are substantially less complete or transparent than those of Western countries. Official statistics may also be compiled on the basis of methodologies different from those used in Western countries. Where information in this Information Memorandum has been sourced from third parties, this information has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Information Memorandum includes market data and industry forecasts and projections that have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' expertise in the industry, and there is no assurance that any of the forecasts or projections will be achieved. Similarly, the Issuer believes that the surveys and market research others have performed are reliable, but the Issuer has not independently verified this information.

In addition, the Issuer has included its own estimates, assessments, adjustments and judgements in preparing some market information, which have not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed exclusively to a third party source, subjective to a certain degree. Market information or that market information prepared by other sources may differ materially from the market information included herein.

The contents of the Issuer's websites (https://forte.kz/ and https://ir.forte.kz) or any other websites referred to in this Information Memorandum do not form any part of the content of this Information Memorandum.

The language of the Information Memorandum is English.

LIMITATIONS ON ENFORCEMENT OF ARBITRAL AWARDS AND JUDGMENTS

The Issuer is a joint stock company incorporated under the laws of Kazakhstan, and all of its operations are located in Kazakhstan and majority of the directors and executive officers of the Issuer reside in Kazakhstan. All or a substantial portion of the assets of the Issuer are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer or any of its directors and executive officers outside of Kazakhstan, (b) to enforce against any of them in courts of jurisdictions other than Kazakhstan, judgments obtained in other jurisdictions unless that other jurisdiction and Kazakhstan are party to a treaty on mutual recognition and enforcement of judgments. The United Kingdom is not a party to any such treaty with Kazakhstan and even if an applicable international treaty is in effect, the recognition and enforcement in Kazakhstan of a foreign judgment will in all events be subject to exceptions and limitations provided for in the laws of Kazakhstan. For example, a court in Kazakhstan may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict public policy. As a result, it may be difficult to obtain recognition or enforcement in Kazakhstan of a foreign judgment in respect of the Notes, the Agency Agreement and the Trust Deed.

Nevertheless, the Issuer will appoint Law Debenture Corporate Services Limited, at Eighth Floor, 100 Bishopsgate, London EC2N 4AG as its authorised agent to accept service of process and any other documents in proceedings in England arising out of or based on the Notes, the Agency Agreement and the Trust Deed.

The Issuer will also agree that any claims or disputes arising in respect of the Notes shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration. Kazakhstan is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") and, accordingly, an arbitral award should generally be recognised and enforceable in Kazakhstan under the New York Convention provided the conditions to enforcement set out in the New York Convention and the applicable laws of the Republic of Kazakhstan, including the Law of the Republic of Kazakhstan No.488-V dated 8 April 2016 "On Arbitration", as amended, together with the Civil Procedure Code of the Republic of Kazakhstan No. 377-V dated 31 October 2015, as amended, are met.

See "*Risk Factors– Risks Related to Republic of Kazakhstan – Enforcement of judgments or arbitral awards against the Bank can be difficult*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Information Memorandum, are not historical facts but constitute "forward-looking statements" within the meaning of section 27A of the Securities Act and Section 21E of the U.S. Exchange Act of 1934. Forward-looking statements include statements regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets in which the Group participates or seeks to participate, and any statements preceded by, followed by or that include the words "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements include, amongst other things, statements concerning:

- overall business conditions;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- economic and political conditions in Kazakhstan;
- the timing, impact and other uncertainties of future actions;
- inflation, interest rate fluctuations, foreign currency and exchange rate fluctuations and other capital market conditions in Kazakhstan;
- the condition and performance of the economy, including the Republic of Kazakhstan's banking sector;
- the effects of, and changes in, the policy of the Government of the Republic of Kazakhstan;
- the effects of changes in laws, regulations and taxation or accounting standards or practices in Kazakhstan;
- the Bank's ability to maintain or increase market share for its products and services and control expenses;
- the Bank's ability to meet its funding obligations and develop and maintain additional sources of financing;
- the Bank's ability to continue to diversify its client base;
- the impact of the growth of the Bank's loan portfolio on its revenue potential and overall asset quality;
- technological changes; and
- the Bank's ability to manage the risks associated with the aforementioned factors.

The forward-looking statements included in this Information Memorandum involve known and unknown risks, uncertainties and other factors which may cause the Group's actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Group will operate in the future. You should be aware that a number of important factors provided above could cause the industry's or the Group's own actual results or performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

This list of important factors is not exhaustive. Additional factors that could cause actual results, performance or achievements to differ materially include those discussed under "*Risk Factors*". When considering forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as at the date on which they are made, and the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement

contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The Issuer does not make any representation or warranty that the results anticipated by such forward-looking statements will be achieved.

PRESENTATION OF FINANCIAL INFORMATION

Presentation of Financial Information

The Group's financial information set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Group's unaudited interim condensed consolidated financial statements for the nine-month period ended 30 September 2024 (the "**Interim Financial Statements**") and the Group's audited consolidated financial statements for the year ended 31 December 2023 (the "**2023 Financial Statements**") and the Group's audited consolidated financial statements for the year ended 31 December 2022 (the "**2022 Financial Statements**") and the Group's audited consolidated financial statements for the year ended 31 December 2021 (the "**2021 Financial Statements**", and together with the 2023 Financial Statements and 2022 Financial Statements, the "**Annual Financial Statements**", and, together with the Interim Financial Statements, the "**Financial Statements**"), set forth on pages F-2 through F-327 of this Information Memorandum. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). The Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**").

The financial information of the Group as at and for the nine-month period ended 30 September 2024 and as at and for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 included in this Information Memorandum has, unless otherwise indicated, been derived or extracted from the respective Financial Statements.

The tenge is the functional currency of the Group and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in tenge.

Independent Auditors

The 2023 Financial Statements included in this Information Memorandum have been audited by KPMG Audit LLC ("**KPMG**"), as stated in their report appearing herein.

The 2022 Financial Statements included in this Information Memorandum have been audited by Audit Organization Ernst & Young LLP ("**EY**"), who has issued unqualified independent auditor's reports on the 2022 Financial Statements appearing herein.

KPMG has a State audit licence for audit activities on the territory of the Republic of Kazakhstan, under registration number #0000021 dated 6 December 2006 and issued by the Ministry of Finance of the Republic of Kazakhstan.

EY has a State audit licence for audit activities on the territory of the Republic of Kazakhstan: series MDFO-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005.

With respect to the Interim Financial Statements included herein, KPMG, as the independent auditor, has reported that it applied limited procedures in accordance with professional standards for review of such information. However, KPMG's separate report included herein, states that KPMG did not audit and does not express an opinion on the Interim Financial Statements. Accordingly, the degree of reliance on the report of KPMG on such information should be restricted in light of the limited nature of the review procedures applied.

Certain Definitions and Currencies

In this Information Memorandum, all references to:

- "**AFR**" are to the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market;
- "**the Bank**" are to "ForteBank" JSC;

- "**CIS**" are to the Commonwealth of Independent States and its member states as at the date of this Information Memorandum, being Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan;
- "**EU**" are to the European Union;
- "**Government**" or "**Kazakhstan Government**" are to the Government of the Republic of Kazakhstan;
- "**the Group**" are to the Bank and its consolidated subsidiaries taken as a whole;
- "**IFIs**" are to the international financial institutions;
- "**IFRS**" are to the IFRS Accounting Standards;
- "**Kazakhstan**" are to the Republic of Kazakhstan;
- "**NBK**" are to the National Bank of the Republic of Kazakhstan; and
- "**US**" are to the United States of America.

In this Information Memorandum, the following currency terms are used:

- "**EUR**", "**Euro**" "**euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended;
- "**KZT**" or "**tenge**" means the lawful currency of the Republic of Kazakhstan; and
- "**USD**" or "**U.S.$**" or "**U.S. dollar**" means the lawful currency of the United States.

References in the Information Memorandum to "billions" are to thousands of millions.

Exchange Rate

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the tenge and the U.S. dollar, based on the official exchange rate quoted by the NBK. Fluctuations in the exchange rates between the tenge and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

	Period End	Average[(1)]	High	Low
			(Tenge/U.S. dollar)	
Year ended 31 December				
2021	431.67	426.03	436.35	414.77
2022	462.65	460.85	512.19	414.67
2023	454.56	456.23	482.77	431.08
2024	523.54	469.11	524.66	439.40

Source: NBK (www.nationalbank.kz)

Notes:

(1) The average rates are calculated as the average of the daily exchange rates on each calendar day (which is announced by the NBK for such day).

Rounding

Certain figures included in this Information Memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Key Performance Indicators

The key performance indicators ("**KPIs**") or alternative performance measures ("**APMs**") described below have been calculated based on data derived from the Financial Statements and unaudited accounting records and management accounts. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

This Information Memorandum includes certain financial measures that are not measures of performance specifically defined by IFRS. These include (without limitation) the following financial measures: return on average assets, return on average equity, cost-to-income ratio, net interest margin, allowance for loan losses/ gross loans, interest received/interest accrued, total liquid assets/total assets, loan to deposit ratio, Regulatory Capital Ratio, Capital Adequacy Ratio, NPL ratio, non-performing loans coverage, credit impaired loans/gross loans, cost of risk and risk-weighted assets density. See "*Selected Consolidated Financial Information*" for the information on the basis of calculation of the non-IFRS financial measures. In addition, this Information Memorandum includes certain of the Bank's selected statistical information in "*Selected Statistical and Other Information*", including average balance of interest-earning assets, average balance of non-interest-earning assets, average balance of total assets, average balance of interest-bearing liabilities, average balance of non-interest-bearing liabilities, average balance of equity, average balance of equity and non-interest-bearing liabilities, average balance of equity and liabilities, average yield on interest-earning assets, average rate paid on interest-bearing liabilities, ratio of net charge-offs, total weighted average yield, average balance of term deposits, average balance of current/settlement accounts, average balance of total deposits and current/settlement accounts and average rate paid on term deposits. See "*Selected Statistical and Other Information*" for the information on the basis of calculation of the selected statistical information.

The KPIs and APMs disclosed in this Information Memorandum should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The KPIs and APMs disclosed in this Information Memorandum were not audited, reviewed or otherwise reported on by independent auditors and are not measures specifically defined by IFRS and the Group's use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures by other companies in its industry.

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OVERVIEW OF THE BANK

This overview highlights certain information concerning the business of the Bank and the Notes. It does not contain all information that may be important to an investor in the Notes or an investment decision in relation to the Notes. This overview should be carefully read in conjunction with, and is qualified in its entirety by reference to, the more detailed information in this Information Memorandum, including the Financial Statements. Investors should also consider the matters set forth in "Risk Factors" before deciding to invest in the Notes. Certain statements in this Information Memorandum include forward-looking statements which also involve risk and uncertainties as described under "Cautionary Statement Regarding Forward-Looking Statements".

The Bank was formed on 1 January 2015 as a result of merger of Temirbank JSC and ABC Bank JSC (former ForteBank JSC) into Alliance Bank JSC. Following the merger, on 10 February 2015, Alliance Bank JSC was reregistered and rebranded as ForteBank JSC.

The Bank is one of the leading banks in the Republic of Kazakhstan offering a wide range of banking products, offerings and solutions. According to the NBK, as at 1 December 2024, the Bank was the fifth largest commercial bank in Kazakhstan by total assets (with a 6.7 per cent. market share), fifth by loan portfolio size (with a 5.4 per cent. market share), sixth by capital (with a 6.1 per cent. market share), fourth by deposits (with a 7.1 per cent. market share) and fifth by net profit (with a 5.9 per cent. market share).

The Bank operates in four principal business areas: retail business, SMEs, corporate business and investment activities and its products and services include corporate lending, retail lending, deposit taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other banking products.

The Bank operates a multichannel offline and online distribution network. As at 31 December 2024, the Bank's offline network was comprised of 21 branches, 95 service offices, 715 ATMs and 13,670 payment terminals across 37 cities and towns within Kazakhstan. The Bank's products and services may also be accessed through its online banking platform and mobile application.

The Bank is a principal member of VISA International and Mastercard International as well as a member of the Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**"). The Bank is also a member of Kazakhstan Stock Exchange ("**KASE**") and a trading member (through its affiliate, "ForteFinance" JSC) of Astana International Exchange ("**AIX**").

The Bank participates in the Kazakhstan Deposit Insurance Fund ("**KDIF**") which primary objective is to protect the depositors' interest in the event of forced liquidation of the participant banks. As at the date of this Information Memorandum, the insurance recovery limits are set at KZT20 million with respect to savings deposits, KZT10 million with respect to KZT-denominated accounts, deposits and plastic cards and KZT5 million with respect to accounts, deposits and plastic cards denominated in other currencies.

The Bank's business is well diversified, with the key business segments of retail business, SMEs and corporate banking being well balanced in the Bank's loan portfolio and deposit base, as well as in the structure of its assets and liabilities. One of the pillars of the Bank's strategy is the increase of its market share across all business segments without compromising asset quality and maintaining a stable and robust risk management profile.

Further, the Bank aims to continuously develop its IT infrastructure and invest in the digitalisation of its products and services, enhance its compliance and risk management processes and implement the ESG and Sustainable Development Strategy (including the monitoring and mitigation of environmental and climate risks and development of green banking products and solutions for corporate and retail customers).

As at 30 September 2024, the Bank's total assets comprised KZT4,100,938 million while the total liabilities comprised KZT3,602,789 million. Shareholder equity was KZT498,149 million. As at 30 September 2024, total net loans to customers amounted to KZT1,674,244 million, with loans to corporate customers, loans to SMEs and loans to individuals (retail customers) accounting for 30.9 per cent., 31.1 per cent. and 38.0 per cent. of total loans to customers, respectively. As at 30 September 2024, current accounts and deposits from customers amounted to KZT2,731,483 million, including corporate accounts and deposits in the amount of KZT1,818,055 million (or 66.6 per cent. of total accounts and deposits) and retail accounts and deposits amounting to

KZT913,428 million (or 33.4 per cent. of total accounts and deposits). For the nine months ended 30 September 2024 and 2023, the Bank generated profit of KZT112,622 million and KZT86,573 million, respectively.

As at 31 December 2023, the Bank's total assets amounted to KZT3,253,175 million while the total liabilities amounted to KZT2,823,367 million. Shareholder equity was KZT429,808 million. As at 31 December 2023, total net loans to customers were KZT1,377,500 million, including loans to corporate customers, loans to SMEs and loans to individuals (retail customers) comprising 31.1 per cent., 31.5 per cent. and 37.4 per cent. of total loans to customers, respectively. As at 31 December 2023, current accounts and deposits from customers amounted to KZT2,261,023 million, including corporate accounts and deposits in the amount of KZT1,378,786 million (or 61.0 per cent. of total accounts and deposits) and retail accounts and deposits in the amount of KZT882,237 million (or 39.0 per cent. of total accounts and deposits). For the years ended 31 December 2023, 2022 and 2021, the Bank generated profit of KZT116,437 million, KZT98,086 million and KZT64,060 million, respectively.

The Bank was incorporated in 1999 under the laws of the Republic of Kazakhstan and operates under banking licence No. 1.2.29/197/36. The registered office of the Bank is located at 8/1 Dostyk Street, Astana Z05P1P0 (010017), Republic of Kazakhstan. The telephone number of the registered office of the Bank is +7 7172 59 99 99. As at the date of this Information Memorandum, the Bank has the following long-term ratings: 'BB' from Fitch and 'Ba2' from Moody's.

OVERVIEW OF THE OFFERING

*The following overview contains basic information about the Notes and is not intended to be complete. For a more complete understanding of the Notes, please refer to the Terms and Conditions of the Notes ("**Conditions**"). Capitalised terms not defined in this section have the meanings given to them in the Conditions.*

Issuer	"ForteBank" JSC
Sole Lead Manager and Bookrunner	J.P. Morgan Securities plc
Kazakhstan Manager	"ForteFinance" JSC
Notes Offered	U.S.$400,000,000 aggregate principal amount of 7.75 per cent. Notes due 2030
Trustee	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch
Issue Price	98.986 per cent.
Closing Date	4 February 2025
Maturity Date	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 4 February 2030
Interest Rate	The Notes bear interest at the rate of 7.75 per cent. per annum payable in equal instalments semi-annually in arrear on 4 February and 4 August in each year, commencing on 4 August 2025.
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Use of Proceeds	The Issuer will use the proceeds received from the issue and sale of the Notes for general banking business. For more information, see "*Use of Proceeds*".
Form	The Notes will be in registered form, without interest coupons attached, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be issued in the form of a Regulation S Global Note and a Rule 144A Global Note, each in registered form and without interest coupons attached. The Regulation S Global Note will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary. The Rule 144A Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC. Ownership interests in the Regulation S Global Note and Rule 144A Global Note will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg, DTC and their respective participants. Notes in definitive form will be issued only in limited circumstances.
Ranking of the Notes	The Notes constitute direct, general, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment

	obligations of the Issuer under the Notes shall, save for such exceptions as may arise by mandatory operation of law and subject to Condition 4, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge and Covenants	Conditions contain restrictions on or impose requirements to be complied with when conducting certain activities of the Issuer and its subsidiaries, including, without limitation: (a) limitation on the incurrence of security interest; (b) requirement for the maintenance of capital adequacy and financial ratios; (c) limitation on prepayment of subordinated debt and paying dividends on or redeeming or repurchasing share capital or making other distributions; (d) requirement for the provision of certain financial information; (e) limitations on engaging in mergers and consolidations; (f) limitation on asset sales; (g) limitation on engaging in affiliate transactions; and (h) requirement for the maintenance of authorisations. There are significant exceptions to the requirements contained in these covenants, as more fully described in Condition 4 and Condition 5.
Events of Default	If an Event of Default occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Notes are, and that they shall immediately become, due and repayable at their principal amount together with accrued interest, as more fully described in Condition 10.
Optional Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice, at the principal amount thereof together with accrued and unpaid interest to (but excluding) the date fixed by the Issuer for redemption, if the Issuer is or would be required to pay additional amounts (as defined in the Conditions) (subject to certain conditions) as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan, occurring on or after the Issue Date as more fully described in Condition 7(b).
Make-Whole call option	The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus the Make Whole Premium, plus any accrued and unpaid interest, up to but excluding the date of redemption, as more fully described in Condition 7(c).
Optional Redemption at Par	The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time on or after the date falling one month prior to the Maturity Date, on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus any accrued and unpaid

	interest, up to but excluding the date of redemption, as more fully described in Condition 7(d).
Optional Redemption by the Noteholders upon a Change of Control	If a Change of Control Put Event occurs, the holder of each Note will have the option to require the Issuer to redeem that Note on the Change of Control Put Date at 100 per cent. of its principal amount together with interest accrued to (but excluding) Change of Control Put Date, as more fully described in Condition 7(g).
Withholding Tax	All payments in respect of interest and principal on the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. If any such taxes, duties, assessments or governmental charges are payable, the Issuer shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been required, as more fully described in Condition 9.
Listing of Notes	Application has been made to (i) the Vienna Stock Exchange for the Notes to be admitted to trading on the Vienna MTF and (ii) the AIX for the Notes to be included in the official list of and to be admitted to trading on the AIX. Neither the Vienna MTF nor the AIX is a regulated market for the purposes of MiFID II.
Ownership Restrictions	None of DTC, Euroclear or Clearstream, Luxembourg, will monitor compliance with any transfer or ownership restrictions.
Governing Law and Arbitration	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with any of them shall be governed by and construed in accordance with English law and contain provisions for arbitration in London, England.
Selling Restrictions	United States, United Kingdom, Kazakhstan, Singapore and any other jurisdiction relevant to the offering of the Notes. See "*Subscription and Sale*".
Ratings	The Notes are expected to be rated 'BB' by Fitch and 'Ba3' by Moody's. Fitch is not established in the EEA, but the rating it has given to the Notes is endorsed by Fitch Ratings Ireland Limited, which is registered under the EU CRA Regulation. Moody's is not established in the EEA, but the rating it has given to the Notes is endorsed by Moody's Deutschland GmbH, which is registered under the EU CRA Regulation. Credit ratings assigned to the Notes do not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. Credit ratings do not relate to the liquidity of the Notes or consider whether there is a market for the Notes. Any change in the credit rating of the Notes or of the Issuer could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Security Identification	Regulation S Notes:

	ISIN: XS2985300156
	Common Code: 298530015
	Rule 144A Notes:
	ISIN: US34955XAB73
	Common Code: 298970007
	CUSIP: 34955X AB7
Legal Entity Identifier	529900TH5WJ6KE8N8Z35

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Information Memorandum, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the Issuer's ability to repay principal and make payments of interest on the Notes or otherwise fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes.

Risks relating to the Bank's Business and Industry

The Bank operates in a competitive industry

In recent years, Kazakhstan's banking sector has become increasingly competitive. According to the NBK, as at 1 December 2024, there were 21 commercial banks operating in Kazakhstan. The Bank competes with a number of these banks, including Halyk Bank, Kaspi Bank, Bank CenterCredit and others in respect of services provided across all of the Bank's business segments. According to the NBK, as at 1 December 2024, the Bank was the fifth largest commercial bank in Kazakhstan by total assets (6.7 per cent. market share), loan portfolio size (5.4 per cent. market share), deposits (7.1 per cent. market share) and net profit (5.9 per cent. market share), and sixth by capital (6.1 per cent. market share).

The liberalisation of the economy in Kazakhstan prior to the global financial crisis, which began in 2008, resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or by participating in the banking and financial services sector. A number of foreign banks have opened representative offices in Kazakhstan, including MUFJ Bank, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., and Société Générale which provide full-service banking services, and pose an increased competitive challenge for the local market. Although the Bank believes it continues to offer highly competitive products for its retail and corporate customers, there can be no assurance that the Bank's retail customers will not transfer a significant portion of their deposits and/or loans to one or more of the Bank's competitors or that the Bank will gain a significant share of new customers in the market.

Increased competition may have a negative impact on the Bank, particularly if the Bank's new competitors entering the Kazakhstan market possess greater financial resources (especially in the case of banks with foreign capital investment or banks which are representative offices or subsidiaries of non-resident foreign banks, by way of access to funding from foreign capital or their parent entity), have access to lower-cost funding, provide a broader offering of products, or if the Bank's existing competitors merged to significantly enhance their financial resources, access to funding and product offerings. Consequently, an increase in competition could lead to significant pressure on the Bank's market share and may lead to increased pricing pressures on the Bank's products and services, which could in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may be unable to attract sufficient new customers, engage and retain existing customers or sell additional functionality, products and services to them

The successful implementation of the Bank's growth strategy depends on the Bank's ability to attract new customers and expand its existing customers' base by offering new competitive products and services. In the period under review the Bank has maintained a leading position on the Kazakhstan banking market (see "*–The Bank operates in a competitive industry*") and has expanded both its loan and deposit portfolios, but there can be no assurance that the Bank may be able to demonstrate or sustain such growth results in the future.

The Bank continues to invest significant resources in its infrastructure and development and other areas in order to enhance its existing products and services, as well as introduce new products and services aimed at increasing the number of customers. As the market for the Bank's services mature, or as new or existing competitors introduce new products, services or functionality that compete with the Bank's, the Bank may face external

pressures and may be unable to innovate and adapt to these changes and therefore to retain its existing customers or attract sufficient new customers.

The Bank's ability to attract, retain and grow its customer base will require it to successfully create new products. The Bank may also introduce significant changes to its existing products or develop and introduce new and unproven products and services, which may require significant investments of time, money and resources. The future performance of these and other new products or services, however, is inherently uncertain, and as a result of potential underperformance of these products or services the Bank may fail to attract or retain customers or generate sufficient return to justify its investments, which may adversely affect its business, results of operations, financial condition and prospects. The Bank's ability to enhance its digitalisation strategy and offerings (see – "*Business – Strategy – Digital Channels (IT)*") will also require substantial development costs and engagement of significant human resources and third-party service providers, and these processes could be impaired for a variety of reasons, including unavailability of necessary technology, high costs and adverse reaction to changes in general economic conditions or other factors.

If the Bank's efforts to attract and retain customers are not successful, or if its customers reduce or discontinue their usage of the Bank's products and services, the Bank's business, results of operations, financial condition and prospects may be materially adversely affected.

There can be no assurance of future sustained growth in the Bank's loan portfolio, which could adversely affect growth in net interest income

As at 30 September 2024, the Bank's total net loans to customers stood at KZT1,674,244 million, an increase of 21.5 per cent. compared to 31 December 2023 and an increase of 107.0 per cent. as compared to 31 December 2021. The size of the Bank's loan portfolio in tenge increased as a result of the increases in corporate loans, loans to small and medium enterprises ("**SMEs**") and loans to individuals driven by the growth in lending activity as well as the Bank's digitalisation efforts and tailored offerings to each of its business segments. There can be no assurance that the Bank will be able to grow its loan portfolio in the future or that any future growth will be in line with its historical rates of loan portfolio growth. The pace of the Bank's loan portfolio growth may be constrained by, among other factors, the Bank's ability to increase lending volumes to customers that meet its credit quality standards. If the Bank is unable to further expand its loan portfolio, the Bank may be unable to generate sufficient interest income, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects or the Bank's ability to fulfil its obligations under the Notes.

The Bank is subject to operational risk inherent in banking activities

The Bank is subject to the risk of incurring losses or undue costs due to the inadequacy or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities (such as card processing), criminal activities (including credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. The financial services industry is exposed to the risk of misconduct by employees, which could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning financial abuse and money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines, as well as serious reputational or financial harm for the Bank. Given the Bank's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. The proper functioning of banking systems, risk management, internal controls, accounting, customer service and other information technology systems, such as loan origination, are critical to the Bank's operations.

The management believes that the Bank's risk management policies and procedures (see "*Risk Management*") are adequate and that the Bank is currently in compliance, in all material respects, with all laws, standards and recommendations applicable to it. In particular, the Bank's internal control system aims to ensure operational efficiency, safekeeping of assets, information security, compliance with applicable laws and the Bank's internal

policies, as well as preventing involvement of the Bank and its employees in unlawful activities, including fraud and money laundering. The Bank's internal control system may be insufficient to eliminate the risk of misconduct including employee malfeasance. Any failure of the Bank's risk management system to detect unidentified or unanticipated risks, or to correct operational risks, or any failure of third parties to adequately perform key outsourced activities, such as card processing, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Failure to improve or maintain technology infrastructure could affect the Bank's business

The Bank relies on the efficiency, security, integrity and availability of technology infrastructure, whether developed in-house or licensed from global and local IT suppliers, to protect the functionality and effectiveness of the Bank's software and platforms in order to meet the Bank's business needs or the needs of the Bank's customers and partners. The Bank frequently upgrades its software and platforms to provide increased scale, improved performance, additional built-in functionality (including functionality related to security) and additional capacity. Adoption of new products and maintaining and upgrading the Bank's technology infrastructure requires a significant investment of both time and resources. There can be no assurance that the Bank's financial resources will be sufficient to maintain the levels of investment required to support such development efforts, which may require substantial capital commitment. Additionally, the Bank's competitors may have the ability to devote more financial and operational resources than the Bank can to the development of new technologies and services and, if successful, their development efforts could render the Bank's services less desirable to customers, resulting in the loss of customers or a reduction in the fees the Bank can generate.

In addition, any failure to improve or maintain the Bank's technology infrastructure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information. Such issues may be further compounded during periods when user activity is higher than usual on the Bank's platforms, or as the Bank expands its business and customer base. Issues with the functionality and effectiveness of the Bank's software or platforms could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Furthermore, security features and enhancements are frequently emerging to combat the rise of cybersecurity incidents and attacks, a risk that is particularly heightened for the Bank as a financial institution. There are significant costs in both time and labour to ensure that the Bank is maintaining adequate and up to date cybersecurity controls, including patching vulnerabilities in software and detecting security incidents. Any failure to timely upgrade technology infrastructure or discover vulnerabilities may interrupt the Bank's ability to operate and conduct its business.

The Bank's operations are subject to credit risk

The Bank is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Increases in the past due loan portfolio require the Bank to make additional provisions and reduce its net profit and capital levels, which in turn has a material adverse effect on the Bank's business, results of operations, financial condition and prospects. To manage credit risk, the Bank has developed comprehensive credit policies and procedures (see "*Risk Management*"). As at 30 September 2024 and 31 December 2023, 2022 and 2021, the Bank's NPLs represented 3.5 per cent., 4.7 per cent., 5.9 per cent. and 8.5 per cent., respectively, of the Bank's gross loan portfolio. As at 30 September 2024 and 31 December 2023, 2022 and 2021, the Bank had a concentration of loans due from the top 10 largest borrowers representing 23.73 per cent., 21.92 per cent., 25.45 per cent. and 19.44 per cent., respectively, of the Bank's gross loan portfolio.

The Bank might not correctly assess the creditworthiness of its credit applicants or other counterparties (or their financial conditions might change) and, as a result, the Bank might suffer material credit losses. Failure to manage the credit risk associated with borrowers have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. See also "*—The Bank may not be able to accurately assess the credit risk of potential and current borrowers*."

There can be no guarantee that the Bank's risk management strategies will protect the Bank from increased levels of credit risk. Any failure to accurately assess the credit risk of potential borrowers or acceptance of a higher degree of credit risk in the course of lending operations may result in a deterioration of the Bank's loan

portfolio and a corresponding increase in loan impairments, which would have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

In addition, the vast majority of the Bank's retail loan portfolio is unsecured. While the Bank has no significant industry or single counterparty concentrations in its loan portfolio, in the event of defaults by a sizable number of borrowers due to, for example, an economic downturn, the Bank may be unable to recover a significant proportion of the balance of such loans, which may have a material adverse effect on the Bank's business, results of operations, financial conditions and prospects.

The Bank faces liquidity and funding risks

Liquidity risk comprises uncertainties in relation to the Bank's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet payment obligations on time and satisfy regulatory capital requirements. It includes, among others, the risk of lack of access to funding, the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Bank's liabilities reasonably in line with its assets, creating an asset-liability maturity gap. These may be caused by factors that are not specific to the Bank's operations, such as general market conditions, disruptions of the financial markets or sovereign credit rating downgrades. Thus, there can be no assurance that the Bank will not experience liquidity issues. Should the Bank fail to meet its net funding requirements due to inadequate liquidity would likely materially adversely affect its business, results of operations, financial condition and prospects.

The Bank satisfies a significant portion of its funding needs by attracting customer accounts and deposits (primarily deposits from corporate customers), which increased to KZT2,731,483 million as at 30 September 2024 from KZT2,261,023 million as at 31 December 2023 and KZT2,011,734 million as at 31 December 2022. Corporate accounts and deposits accounted for 66.6 per cent. of accounts and deposits as at 30 September 2024 and 61.0 per cent. of accounts and deposits as at 31 December 2023. Although a significant portion of the Bank's customer accounts (61.8 per cent. and 64.1 per cent. as at 30 September 2024 and 31 December 2023, respectively) are held in term deposits, the Bank's customers have a right to withdraw their term deposits prior to maturity. As at 30 September 2024, the total amount of account balances of the Group's top 10 customers amounted to KZT545,523 million or 19.97 per cent. of total current accounts and deposits from customers, as compared to KZT277,877 million or 12.29 per cent. as at 31 December 2023.

Any unexpected and significant withdrawal of deposits may impact the Bank's ability to meet its funding requirements.

The other portion of funding is primarily provided through the placement of securities (primarily local bonds), repurchase agreements and loans from other credit institutions, which amounted to 8.0 per cent., 11.8 per cent. and 2.3 per cent. of total liabilities as at 30 September 2024, respectively, and to 9.5 per cent., 5.8 per cent. and 2.4 per cent. as at 31 December 2023, respectively.

Therefore, should any sources of short and, in particular, long-term funding become unexpectedly unavailable, or if maturity mismatches between the Bank's assets and liabilities occur, or if the Bank is required to increase the interest rates on deposits to attract funding, particularly in light of a shortage of liquidity due to unfavourable economic conditions, this may result in liquidity gaps that the Bank may not be able to cover without incurring additional expenses, if at all. Any inability to meet liquidity needs in these circumstances could lead to a material adverse effect on the development of the Bank's business, results of operations business, results of operations, financial condition and prospects.

The Bank faces market risks including interest rate and currency risks

The Bank has exposure to interest rate risk resulting from movements in interest rates that affect income, expense or the value of financial instruments. For example, instruments on both the asset and liability side may exhibit different sensitivities to changes in interest rates, including changes in long-term and short-term interest rates relative to one another. Fluctuations in interest rates create risks for the financial stability and growth of the banking sector. For example, benchmark rates set by the NBK have seen frequent adjustments in response to inflationary pressures and external shocks. These fluctuations result in unpredictability in borrowing costs, impacting businesses' and households' ability to plan financial commitments. While the Bank consistently monitors interest rate fluctuations and the Bank's asset-liability tenors in order to mitigate such interest rate risk,

any significant interest rate movement on either domestic or international markets may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank is exposed to currency risk. The Bank's assets and liabilities are denominated in several currencies, with the majority of assets (loans to customers) and liabilities (customer accounts) denominated in tenge, although a portion of the Bank's assets and liabilities are denominated in foreign currencies, principally the U.S. dollar. As at 30 September 2024, 81.8 per cent. of the Bank's total net loans to customers were denominated in tenge, while 18.2 per cent. were in U.S. dollar. In addition, 68.7 per cent. of the Bank's current accounts and deposits of customers were denominated in tenge, 27.5 per cent. in U.S. dollar, 3.1 per cent. in euros and 0.7 per cent. in other currencies.

Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Any significant volatility in the money market or material exchange rate fluctuations may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's risk management strategies and procedures may not be effective

The Bank's strategies and procedures for risk management may be insufficient. If circumstances arise that the Bank has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Bank's losses could be greater than expected, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. Moreover, there can be no assurance that the Bank's risk management model will always be effective. If the Bank's measures to assess and mitigate risks prove insufficient or inaccurate, its losses may be greater than expected and this could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may not be able to assess the credit risk of potential and current borrowers

Credit risk assessment is inherently challenging as it is based on various assumptions and is limited by the quality of available information about prospective and current borrowers. On certain occasions, it is difficult to make long-term forecasts with respect to a corporate borrower's financial position because the financial performance of Kazakhstan companies is generally more volatile and their credit quality is less predictable than those of similar companies in more mature markets and economies. Further, many potential corporate borrowers do not prepare audited accounts in accordance with IFRS and/or do not have extensive or externally verified credit histories. In addition, the availability of accurate and comprehensive financial and general credit information on SMEs in Kazakhstan is often more limited, which makes it more difficult for the Bank to accurately assess the credit risk associated with such lending, which has grown to be a significant business segment of the Bank. Loans to SMEs accounted for 31.1 per cent. and 31.5 per cent. of the total net loan portfolio as at 30 September 2024 and 31 December 2023, respectively. Loans to SMEs increased by 20.1 per cent. as at 30 September 2024 as compared to 31 December 2023 and amounted to KZT521,560 million, which in turn increased by 28.6 per cent. as compared to 31 December 2022 reaching KZT434,418 million. The Bank periodically reviews its credit policies designed to manage the risk and makes lending decisions following the policies and procedures (see "*Risk Management*"). The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements.

There can be no assurance that the Bank's procedures and systems, credit loss allowance and supporting collateral will be sufficient to protect the Bank against increased levels of defaults, losses or potential write-offs.

The Bank's procedures, controls and IT employed in loan origination and verification may generate errors, or the Bank's officer may fail to adhere to compliance procedures, which may lead to incorrect assessments of the level of risk of particular retail borrowers. Additionally, the Bank's scoring models may be based on inaccurate assumptions or assumptions that can quickly become out of date, as well as past trends and behavioural patterns that may not repeat in the future. The Bank may be unable to accurately evaluate the current financial condition of each prospective borrower or independently assess information provided by prospective borrowers when providing offline retail loans, and thus may be unable to determine the long-term economic outlook for each

such borrower. Furthermore, the availability and reliability of information of external data bases, the limited availability of recent and reliable credit information on retail and SME borrowers constrains the Bank's ability to detect and prevent fraudulent activities by potential borrowers, which could lead in decreased loan recovery for the Bank.

Failure to properly assess the risk of potential borrowers or deterioration in the financial condition of a significant number of the Bank's corporate, SME or retail customers and any future deterioration in the quality of the loan portfolio or increase in its loan impairment charges may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's failure to maintain and protect customer and employee data could have a material adverse effect on the Bank

The Bank collects, processes and stores personal data (including names, addresses, ages and bank details) from its customers, business contacts and employees as part of the operation of its business, and the Bank must comply with data protection and privacy laws in Kazakhstan. Those laws and standards impose certain requirements on the Bank in respect of the collection, use, processing and storage of such personal data. Data collected by the Bank and its appointed third parties may not be processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators or other counterparties or applicable law. Failure to operate effective data controls in respect of the collection, use, processing and storage of such personal data, as prescribed by applicable law, could potentially lead to administrative fines, financial costs, reputational damage and undermine trust in the Bank's business and brand, any of which could have a material adverse effect the Bank's business, results of operations, financial condition and prospects.

Existing laws and regulations on personal data protection may be amended, the manner in which such laws and regulations are enforced or interpreted may change and new laws or regulations on personal data protection may be adopted, including in order to further regulate or restrict the use of personal data. Changes to or additional compliance requirements could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Personal data that the Bank controls could be wrongfully accessed and/or used, whether by employees, agents or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Bank or any of the third-party service providers on which it relies fail to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Bank could face liability under data protection laws. This could result in damage to the Bank's reputation as well as the loss of business, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may experience in the future cyberattacks and other security breaches (due, among other factors, to human error, malfeasance, system errors or vulnerabilities, or other irregularities) affecting the protection of customer and employee personal data and functionality of the Bank's systems, in general (see "*– The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion*", "*–Failure to improve or maintain technology infrastructure could affect the Bank's business*", and "*– The Bank relies on third-party providers, including software and hardware suppliers and credit bureaux*"). While the Bank has systems and processes designed to prevent cyberattacks and security breaches, which systems and processes have been effective in preventing material financial losses in the past, and while the Bank expects to continue to expend significant resources to bolster these protections, such measures cannot provide absolute security, and any security breach could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank relies on third-party providers, including software and hardware suppliers and credit bureaux

In carrying out its operations, the Bank relies on a variety of third-party services. The Bank's technology infrastructure and services incorporate software, systems and technologies developed by third parties, as well as hardware purchased or commissioned from third-party suppliers. As the Bank's technology infrastructure and services expand and become increasingly complex, the Bank faces increased risks relating to the performance and security of its technology, including risks relating to incompatibility of the components produced by third parties, service failures or delays or back-end procedures on hardware and software.

Additionally, in order to effectively operate its business, the Bank grants certain third-party providers limited access to certain data in its systems at their request, which may pose additional security risks and challenges in protecting the Bank's technology infrastructure. See "– *The Bank's failure to maintain adequately and protect customer and employee data could have a material adverse effect on the Bank*". Although the Bank contractually requires third party providers to implement reasonable cybersecurity controls, a compromise of their systems could have an adverse impact on the Bank's ability to operate and expose data provided to these third parties. There can be no assurance that the contractual requirements related to the use, security and privacy regarding the information technology assets (and the data thereon) imposed on the Bank's third-party suppliers will be followed or will be adequate to prevent misuse. Any misuse, compromise, or failure to adequately abide by these contractual requirements could result in liability, litigation and reputational harm.

In connection with its risk management processes, the Bank relies on services and information supplied by third parties, including certain databases. As such, in order to perform credit assessment, the Bank retrieves certain information from external data bases, maintained by governmental and commercial organisations, and information from these data bases is subsequently downloaded and integrated into the Bank's own client data base, which information is used to make loan approval decisions. As such, any risks related to the interruption of such external databases, the accuracy of the data kept thereby and the availability of such data generally, may impact the Bank's consumer finance origination and assessment processes.

If these third parties cease to provide the facilities or services, experience operational interference or disruptions, breach their agreements with the Bank, fail to perform their obligations or meet the Bank's expectations, do not renew their licences or otherwise cease to make their services or products available at a reasonable cost or at all, the Bank's operations could be disrupted or otherwise adversely impacted, which in turn could result in a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion

The Bank is subject to cyber-security threats, such as data leakage, insider threat and privilege abuse, cyber intrusion, network attacks, and targeted advance email attacks. Although cyber-security threats have not materially affected the Bank's operations to date, it is expected that such threats will continue to increase, which will require the Bank to closely monitor such threats.

However, there can be no assurance that the Bank's IT systems will be sufficiently developed and will continue to function in a manner that pre-empts significant disruptions or temporary loss of functionality, and the possibility of a systems failure that may adversely affect its operational activities financial performance cannot be eliminated. Moreover, due to the rapid pace of development of financial technology and systems, which may render certain existing technology, equipment and systems obsolete, there can be no assurance that Bank's IT systems will at all times be as modern or as efficient as systems used by other financial institutions and competitors.

Further, the Bank's ability to operate its business depends on its ability to protect the computer systems and databases it operates and uses to inhibit the intrusion of third parties. The risk of cybersecurity breaches for large financial institutions has increased in recent years in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. In addition, customers may access the Bank's products and services, using personal smartphones, personal computers, personal tablets and other mobile devices that are beyond the Bank's control systems. The Bank is investing resources in strengthening its information security and cyber defence system, in order to cope with the development of these threats and any disruptions or damage during this process may have an adverse effect on the Bank's operations. Any such interruption or breach in security of the Bank's IT systems might result in failures or interruptions in the Bank's risk management, general ledger, deposit servicing, loan organisation and/or other important operations.

No assurance can be given that its computer systems, networks and databases will not suffer from such attacks in the future.

Growth in the Bank's business volumes could lead to significant increases in the utilisation of its IT systems, to a point where capacity limits could be reached and the systems would be unable to adequately support further

growth. A failure of the Bank's IT systems to adequately support its operations and the growth of its business and to enable it to monitor and manage its operations effectively could result in a material adverse effect on its business, results of operations, financial condition and prospects. In addition, as financial technology continues to develop, the Bank (or its third-party suppliers) may be exposed to new risks, including those it may not be able to anticipate, as well as increased operating costs from ensuring that any new products and services it provides are implemented correctly and operated safely and securely. Therefore, any failure on part of the Bank to effectively manage its IT, cybersecurity and privacy risks, may expose it to liability, including regulatory fines or penalties and increased expenses from the resolution of any cybersecurity or privacy breaches of the Bank's databases and the mitigation of the impact of such breaches on affected individuals. Any of the above could have a material adverse effect on the Bank's business, results of operations financial condition and prospects or the Bank's ability to fulfil its obligations under the Notes.

The Bank's loan portfolio is exposed to client, geographical and industry concentration

The Bank's top ten borrowers collectively accounted for 23.73 per cent. of the gross loan portfolio as at 30 September 2024, 21.92 per cent., 25.45 per cent. and 19.44 per cent. as at 31 December 2023, 2022 and 2021, respectively. The Bank's financial stability could be adversely impacted if a number of the Bank's major customers default or face financial difficulties, potentially leading to significant losses and increased vulnerability to economic fluctuations.

The majority of loans comprising the Bank's loan portfolio was granted to companies operating in Kazakhstan, which represents a significant geographical concentration in one country. Geographical concentration in Kazakhstan exposes the Bank to heightened risk from local economic downturns, political instability or regulatory changes, which could significantly impact the Bank's loan portfolio, increase default rates and threaten overall financial stability.

The majority of the Bank's loans based on the amount of money loaned are granted to corporate borrowers operating in the metallurgy and wholesale trade sectors. The aggregate share of these sectors in the Bank's gross loan portfolio amounted to 21.0 per cent. as at 30 September 2024, 20.1 per cent. as at 31 December 2023, 23.1 per cent. as at 31 December 2022 and 17.0 per cent. as at 31 December 2021. The Bank's financial condition is sensitive to volatility and downturns in the sectors of the economy in which its loans are concentrated. Accordingly, the Bank's significant exposure to the metallurgy and wholesale trade sectors, combined with any downturn or adverse trends in these sectors, as well as any loss of a key corporate borrower or deterioration in the quality of the Bank's corporate loan portfolio could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Any downgrade in the ratings of the Bank may adversely affect the Bank's business

As at the date of this Information Memorandum the Bank has a long-term issuer default rating at 'BB' with stable outlook from Fitch and a long-term deposit rating of 'Ba2' with a positive outlook from Moody's. These ratings reflect each agency's opinion of the Bank's financial strength, operating performance and ability to meet the Bank's debt obligations as they become due. The Bank's ratings are also sensitive to changes in the sovereign rating of the Republic of Kazakhstan. As at the date of this Information Memorandum, the Republic of Kazakhstan is rated 'BBB' by Fitch and 'Baa1' by Moody's. There can be no assurance that the Bank or the Republic of Kazakhstan will be able to maintain their current credit ratings, and any deterioration in the geopolitical situation, the general economic or political environment or the Banks's financial condition could lead to downgrades. Any such downgrade in the ratings of the Bank could undermine confidence in the Bank, limit its ability to effectively negotiate new loan facilities and make it more difficult and/or expensive for it to raise capital going forward. Such downgrade may also affect or effectively limit the Bank's access to capital markets as investing in the Bank will in such case be considered less attractive and/or no longer be allowed for certain investors. Any of the above could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Failure to implement and maintain an effective system of financial reporting and internal controls may materially and adversely affect the Bank's ability to accurately or timely prepare financial information

The Bank's financial and reporting procedures and internal controls may not be sufficient in light of its growth and the applicable financial reporting framework, as a result of which the Bank may not be able to prepare

financial information in a timely and accurate manner, whether in accordance with the terms of the Notes or otherwise. Internal control over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. A failure by the Bank to implement and maintain effective internal controls, could result in material misstatements in its financial statements or failure to prepare interim and/or annual financial information in a timely manner, which may cause a need to restate financial statements or result in a loss of confidence in its reported financial information, which in turn and could have a negative impact on the Bank's compliance with the terms of the Notes, access to external financing, and potentially its business, results of operations, financial condition and prospects.

The value of the collateral the Bank holds for loans to its customers may decline or may not be of such high credit value

As at 30 September 2024, the Bank held collateral against certain loans fully covering the value of such loans to customers. As at 30 September 2024, 72.0 per cent. of the Bank's total gross loan portfolio is represented by collateralised loans. The main forms of collateral are charges over real estate, corporate guarantees, insurance policies, equipment and inventory, deposits and other receivables. Downturns in the industries in which the Bank's customers operate may result in asset illiquidity and a decline in the value of the collateral securing loans. In addition, declining or unstable prices of collateral in Kazakhstan may make it difficult for the Bank to accurately value the collateral it holds. If the fair value of the collateral that the Bank holds declines significantly, the Bank could be required to create additional reserves and experience lower than expected recovery levels on collateralised loans. Furthermore, the Bank may face difficulties with enforcing security, which may also lead to lower than expected recovery levels on collateralised loans.

If any of these risks materialise, they could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's insurance policies may not cover, or fully cover, certain types of losses

The Bank generally maintains insurance policies covering its assets, operations and certain employees in line with general business practices in Kazakhstan, including a comprehensive insurance policy with highly rated Kazakh insurance companies. The Bank seeks to insure against a range of risks, including fire, lightning, flooding, employee liability, employee fraud, and a variety of additional risks.

However, there can be no assurance that all types of potential losses are insured or that policy limits would be adequate to cover them. Any uninsured loss or a loss in excess of insured limits could adversely affect the Bank's existing operations and create additional significant costs and liabilities and could, in turn, have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank depends on key management and qualified personnel

The current senior management team includes a number of individuals that the Bank believes contribute significant experience and expertise in the banking industry to the Bank (see " – *Management*"). The Bank's ability to continue to retain, motivate and attract qualified and experienced banking and management personnel is vital to its business. There can be no assurance that the Bank will be able to successfully recruit and retain the necessary qualified personnel. The loss or diminution in the services of members of its senior management team or an inability to recruit, train or retain necessary personnel could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects as well as impair its ability to achieve its strategic objectives.

The Bank may fail to receive corporate approval in respect of certain transactions with related parties

In the past, the Bank has engaged in transactions with related parties under common control of the principal shareholders. See "*Certain Transactions with Related Parties*". The Bank's management expects that the Bank will continue to enter into related party transactions in the future. Under Kazakhstan law, certain related party transactions (including where Bank's Board of Directors is unable to approve the transactions due to a lack of sufficient votes required for the decision) are required to be approved by the general shareholders meeting of the Bank prior to execution of such transactions. Failure to receive such approval may lead to the invalidity of

a material related party transaction, which could in turn have an adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Russia-Ukraine conflict and the sanctions imposed on Russia by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on the Bank's business, results of operations, financial condition and prospects

The Russia-Ukraine conflict that intensified in February 2022, as well as the sanctions imposed on persons in or related to Russia by the United States, United Kingdom, EU and other authorities since 2014 have had, and are expected to continue to have, a significant disruptive effect on Kazakhstan, as well as global markets, including oil and gas markets, as well as supply chains, more generally. The Russia-Ukraine conflict and the sanctions and export-control measures implemented by various countries and authorities against Russian and Belarusian persons and entities in response, have contributed, and are likely to continue to contribute, to increased inflationary pressures, increased costs, supply chain disruptions, gas supply shortages, market volatility and economic uncertainty. In June 2022, the World Bank Group (the "**World Bank**") stated that the Russia-Ukraine conflict had magnified the slowdown in the global economy triggered by the COVID-19 pandemic and warned that the global economy was entering a potentially protracted period of low growth and elevated inflation, particularly as the Russia-Ukraine conflict disrupts economic activity, investment and trade, and as pent-up demand following the pandemic fades and fiscal and monetary policy accommodation is withdrawn or tempered by central banks and governments.

Kazakhstan maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine. Nevertheless, Russia is one of the main trade partners of Kazakhstan. Since February 2022, Kazakhstan has experienced significant inward migration, particularly from Russia, as well as increased financial flows, with several Russian businesses and individuals relocating their operations to or expanding their activities in Kazakhstan in response to geopolitical uncertainties. In addition, there are great similarities in the structures of the economies of the two countries, in particular in their dependence on raw materials exports, and there exist historical long-term relationships (political, economic, commercial and cultural). Accordingly, when making decisions in the field of monetary policy, the NBK pays special attention to the Central Bank of the Russian Federation's actions in the area of interest and currency policy. Accordingly, the economic situation and policy measures in Russia, including monetary policy of the Central Bank of the Russian Federation, have a significant influence on the economic situation in Kazakhstan. Furthermore, Russia and Kazakhstan, together with Belarus, are members of the Customs Union and Common Economic Space and established the Eurasian Economic Union on 1 January 2015 (with subsequent accession by Armenia and Kyrgyzstan). In 2023, the trade turnover between Kazakhstan and Russia amounted to U.S.$25.9 billion, an increase of 3.7 per cent. since 2022. In addition, a significant amount of the natural gas transported through Kazakhstan's natural gas pipeline system is transported to Russia or from one part of Russia to another through Kazakhstan's territory. Since Russia is the main trade partner of Kazakhstan and is a member of the Eurasian Economic Union, the ongoing geopolitical developments involving Russia may adversely impact the Kazakhstan economy, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The U.S. and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) first imposed sanctions on certain Russian, Belarussian and Ukrainian persons and entities in connection with the ongoing conflict in Ukraine, including sanctions imposed by the U.S. and the EU on 12 September 2014. These sanctions have been expanded by the U.S. Countering America's Adversaries Through Sanctions Act of 2 August 2017 as well as a number of directives issued thereunder and under previous sanctions legislation in 2017 and 2018 which target specific individuals and legal entities. On 6 August 2018, under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 ("**CBW Act**"), the U.S. determined that the Russian government has used chemical or biological weapons in violation of international law and, following this determination, certain sanctions have been imposed which include denial of exports or reexports to Russia of goods or technology controlled for national security reasons. In August 2019, the U.S. imposed a second round of sanctions under the CBW Act, including a prohibition on U.S. banks participating in the primary market for non-Russian Rouble denominated bonds issued by the Russian sovereign and lending non-Russian Rouble denominated funds to the Russian sovereign. The second round of CBW Act sanctions also imposes a presumption of denial, subject to certain exceptions, on applications for licences to export dual-use goods that

are controlled by the U.S. Department of Commerce for chemical and biological weapons proliferation reasons and requires the U.S. to oppose the extension of any loan or financial or technical assistance to Russia by international financial institutions, such as the World Bank or International Monetary Fund. On 15 April 2021, the United States imposed new sanctions expanding restrictions on the purchase of certain Russian sovereign debt and other financing instruments and adding a number of Russian entities and individuals to the List of Specially Designated Nationals. Since the expansion of the invasion in 2022, the sanctions against Russia have intensified significantly. The U.S., EU, and UK have implemented numerous new sanctions and export controls targeting various sectors of the Russian economy, as well as individuals and entities linked to the conflict. In 2022, the EU introduced several sanction packages, imposing asset freezes, travel bans and restrictions on economic relations with the so-called Donetsk and Luhansk regions ("**DNR**" and "**LNR**", respectively). These measures also prohibited dealings in Russian sovereign debt and restricted access to European financial markets for Russian state-owned enterprises. In 2023 and 2024, the U.S. expanded its sanctions, targeting the metals and mining sectors, and imposed further restrictions on several Russian financial institutions. These included new designations of Russian banks and actions against entities involved in sanctions evasion. The EU continued to enhance its sanctions regime, with additional packages focusing on asset freezes, export control restrictions and measures against entities supporting Russia's military-industrial complex. The latest sanctions targeted numerous individuals and entities involved in arms trafficking, sanctions evasion, and other illicit activities supporting Russia's war effort.

The sanctions imposed to date have had an adverse effect on the Russian economy, causing volatility in Russian markets, which in turn has had an adverse effect on Kazakhstan and its economy. These sanctions prompted downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflow from Russia and impairing the ability of Russian issuers to access the international capital markets. Given the further sanctions imposed by the U.S., EU and UK in 2023 and 2024, it is unlikely that these adverse conditions will improve in the near future.

Factors which affect the Russian Rouble tend to also impact the exchange rate of the tenge. The notable depreciation of the tenge against the U.S. dollar in 2022 was, at least in part, due to the depreciation of the Russian Rouble in the same year. Any future actions by the U.S. or other countries towards Russia, such as sanctions, could adversely affect the Russian financial market, potentially causing short-term volatility in the tenge. Furthermore, if such sanctions adversely affect the operations or finances of Russian financial institutions with a substantial presence in the Kazakhstan market, this may hinder the ability of such financial institutions to provide certain financial and trade-related services to their customers in Kazakhstan.

The Bank does not engage in business relationships with Russian banks subject to sanctions. Since February 2022, the Bank has taken steps to terminate business ties with Russian financial institutions that became subject to sanctions. The Bank's Rouble correspondent accounts are maintained with Raiffeisenbank JSC and Asian-Pacific Bank JSC, neither of which is currently subject to sanctions. However, there can be no assurance that these two banks will not be subject to any future sanctions. Notwithstanding the implementation of enhanced sanctions protocols by the Bank, there exists a risk that it will not be able to comply with the increasingly complex international sanctions regime or be otherwise directed by the Government. The manifestation of one or more of these risks may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The continuation, escalation or expansion of hostilities between Russia and Ukraine, or in the Middle East or elsewhere, may lead to further restrictions, sanctions or countersanctions, increased economic instability worldwide, heightened operating risks and cyber disruptions or attacks. Kazakhstan's close economic links with Russia, the Russia-Ukraine conflict and the related sanctions, counter-sanctions and restrictions have had, and may continue to have, adverse impacts on the global economy, capital markets, supply chains, energy prices, suppliers and consumer demand as a result of increased inflationary pressures directly associated with the conflict, all of which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects..

Climate change may negatively affect the Bank's business and operations

The business environment in which the Bank operates is continually changing. ESG-related issues may directly or indirectly impact key stakeholders, including customers, investors, employees, rating agencies and regulators, and these stakeholders are increasingly demanding more climate-related disclosures, including climate risk assessment and greenhouse gas emissions reporting. The Bank recognises climate change as an emerging risk for its clients' business and manages this risk in compliance with applicable law and regulations.

A failure to manage those risks which have ESG implications may adversely impact the reputation of the Bank, the results of its operations, its customers, and its ability to deliver on its long-term strategy and therefore its long-term success.

Climate change is an ESG theme that poses potentially significant long-term risks to the Bank and its customers, not only from the physical impacts of climate change, driven by both specific short-term climate-related events such as acute or chronic weather events and longer-term impacts, but also from transition risks associated with the shift to a low carbon economy. Climate change, sustainability and the reduction of emissions is an important issue for the Bank. Among other things, transitional and physical risks could impact the performance and financial position of the Bank's customers and their ability to repay their loans.

Failure to keep pace with customer and societal expectations for action to manage and mitigate climate-related risk or failure to keep with the increasing level of interest and reporting requirements from governments, investors, customers and civil society may result in a decline in demand for the Bank's services, which could have an adverse impact on the Bank's business, results of operations, financial condition and prospects.

Risks Relating to the Bank's Legal and Regulatory Framework

Kazakhstan's legislative and regulatory framework is evolving, which may create an uncertain environment for investment, business activity and the Bank's operations

While a large volume of legislation was enacted several decades ago, the legal framework in Kazakhstan is still evolving in comparison to countries with more established market economies.

The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. Therefore, court decisions can be difficult to predict, and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

While Kazakhstan has an established legal framework specifically dedicated to consumer lending, major amendments to the consumer lending regulations or any shifts in existing court practice or the regulator's interpretation of the laws (including with respect to the pricing of loan products, in particular, any change to the caps on interest rates charged by financial institutions on consumer loan products, which stood at 46.0 per cent. as at December 2024) could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The continued development of Kazakhstan's regulatory environment may result in the reduced predictability of its regulatory landscape, which may result in inconsistent interpretations due to the lack of court precedents or guidance from the regulators. Any of these factors could be significant and could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Existing laws and regulations, including tax and banking laws and regulations, could be amended, the manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted. Any amendment or change in the interpretation of current rules and regulations as well as any adoption of new rules and regulations could require the Bank to alter business operations or strategy or reduce the profitability of the Bank's current business.

Recently, the AFR announced a consultation paper on the new banking law, which may affect the Bank's business. See "*Regulation*."

The Bank believes it has strong track record of compliance with applicable laws and the Bank's close working relationships with the Kazakhstan banking regulatory authorities have been professional and productive. However, any material failures by the Bank to comply with applicable laws or regulations could result in the suspension or withdrawal of the Bank's banking licence, which would have a material adverse effect on the Bank's business, results of operations, financial condition and prospects. The Kazakhstan regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and the regulatory structure governing the Bank's operations is evolving.

The Bank is exposed to the risk of inadvertently violating anti-corruption, anti-bribery, anti-money laundering, sanctions and other similar laws and regulations of Kazakhstan and other jurisdictions, and the Bank's current risk management and compliance systems may prove ineffective

Kazakhstan financial institutions, including the Bank, are obliged to monitor certain transactions entered into by their clients by conducting due diligence, as set out under the applicable laws, with respect to the clients and the relevant transactions. If it is not possible to conduct such due diligence, the financial institution must prevent the clients from entering into any such transaction. Kazakhstan law requires any suspicious transaction to be reported to an authorised state body immediately, and, in any case, before such suspicious transaction is processed.

The Bank has also implemented measures aimed at preventing the Bank's platforms from being used as a vehicle for money laundering, including "know-your-client" policies and the adoption of anti-money laundering and compliance procedures in all of its branches and banking outlets. The Bank's responsible unit seeks to prevent money laundering and terrorist financing by performing, among other things, the following functions:

- identifying both transactions subject to financial monitoring and suspicious transactions and reporting such transactions to the authorised state body;
- developing and improving policies, rules and other internal documents aimed at preventing the laundering of proceeds of crime and the financing of illicit activity (including terrorism);
- developing risk assessment criteria to assess the Bank's customers from a money laundering perspective;
- implementing anti-money laundering training sessions for the Bank's employees and discussing the Bank's anti-money laundering procedures with employees;
- participating in the preparation of a database of information aimed at preventing the Bank from engaging in transactions related to the financing of terrorism, in accordance with a list of terrorists and terrorist organisations provided to the Bank by the relevant authorities; and
- maintaining an electronic database containing a list of the Bank's suspicious customers.

Currently, the Bank complies with its existing policies, rules of internal control and with the requirements of applicable law. However, there can be no assurance that attempts to launder money or finance illicit activity through the Bank will not be made or that anti-money laundering measures implemented by the Bank will always be effective. If the Bank were associated with money laundering, even if this is solely due to the failure of its anti-money laundering measures, or if the Bank were unable to comply with all of the relevant laws and internal policies regarding financial assistance or money laundering, the Bank could be subject to significant fines, as well as harm to the Bank's reputation, all of which may have a material adverse effect the Bank's business, results of operations, financial condition and prospects.

In addition, the Bank complies with applicable US, EU and UK economic and trade sanctions, including those administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), the U.S. Department of State, the U.S. Department of Commerce, the Office of Financial Sanctions Implementation of His Majesty's Treasury and the Foreign, Commonwealth & Development Office of the United Kingdom, the United Nations Security Council and other relevant authorities. The Bank's operations expose the Bank to the risk of violating, or being accused of violating, economic and trade sanctions or engaging in conduct that may create a risk of the imposition of secondary sanctions. The Bank does not currently have contracts or transactions with persons or entities that are targets of U.S. blocking or other

applicable sanctions, such as parties included in the Specially Designated Nationals and Blocked Persons List maintained by OFAC, or similar sanctions-related lists of designated persons maintained by EU, UK and other relevant sanctions authorities. However, any failure to timely and accurately screen contracts and transactions may expose the Bank to secondary sanctions, reputational harm and significant penalties, including civil and criminal fines, and even investigations of alleged violations can be expensive and disruptive. In addition, despite the Bank's adoption of sanctions screening procedures and compliance policies, there can be no assurance that through these procedures and policies the Bank will timely and effectively detect all sanctioned business partners or contractual counterparties, including as a result of new sanctions designations, nor achieve full compliance by all of the Bank's employees or representatives for which the Bank may be held responsible, and any such failure or violation could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Furthermore, the sanctions regulatory framework is multi-faceted and complex and there is no guarantee that the Bank's past transactions with sanctioned counterparties or the Bank's present or future transactions with counterparties would not be determined as falling within the scope of the sanctions regime. Any such determination may expose the Bank to the risk of imposition of secondary or other similar sanctions which, in turn, would have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank requires certain licences, permits and approvals in the ordinary course of business, and the failure to obtain or retain them in a timely manner may materially adversely affect the Bank's operations

The Bank is required to obtain and maintain a number of statutory and regulatory licences, permits and approvals in Kazakhstan, generally for carrying out the Bank's business, some of which may expire in the ordinary course and for which the Bank would be required to apply to obtain the approval or their renewal. See "*Regulation*."

The Bank is regulated under the laws of Kazakhstan. The Bank's operations are subject to strict regulation by governmental and state authorities, particularly the AFR and the NBK. A breach of any regulatory guidelines could expose the Bank to potential liability, including the loss of its banking licence. If the AFR were to suspend or revoke the banking licence of the Bank, this would render the Bank unable to perform its consumer lending, deposit taking and other banking operations (including processing the payments of the Bank's customers). See "*Regulation*."

Further, the licences, permits and approvals required and obtained by the Bank are subject to several conditions, and no assurances can be given that the Bank will be able to continue to meet such conditions, which may lead to cancellation, revocation or suspension of the relevant licences, permits and approvals. If there is any failure by the Bank to comply with the applicable regulations or if the regulations governing the Bank's business are amended, the Bank may incur increased compliance costs, be subject to penalties, have its licences, approvals and permits revoked or suffer a disruption in its operations, any of which may materially adversely affect the Bank's business, results of operations, financial condition and prospects. If the Bank does not receive any permission in a timely manner or at all, it may incur increased compliance costs, be subject to penalties and inspections, and suffer disruptions in its operations. Additionally, unfavourable changes in or interpretations of existing laws, or the promulgation of new laws governing the Bank's business and operations in Kazakhstan could require the Bank to obtain additional licences and approvals.

Risks Relating to Kazakhstan

Kazakhstan is an emerging market and subject to greater risk than more developed markets

Investors in emerging markets such as Kazakhstan should be aware that such markets are subject to greater risk than more developed markets, including in some cases significant legal, regulatory, economic, social and political risks. Investors should also note that emerging economies, such as Kazakhstan's, are subject to rapid change and that the information set out in this Information Memorandum may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, making an investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Disruptions in the international capital markets and changing regulatory environments can lead to reduced liquidity and increased credit risk premiums for certain market participants and result in a reduction of available financing. Countries located in emerging markets may be particularly susceptible to these disruptions and changes and also to reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Accordingly, any factors that impact market confidence, such as a decrease in credit ratings or state or central bank intervention in a particular market, could affect the price or availability of funding for these markets, which could, in turn, have an impact on the wider economies of such markets.

Fluctuations in the global economy or an increase in the perceived risks associated with investing in countries located in emerging markets could reduce foreign investment in Kazakhstan and, as a result, have an adverse effect on Kazakhstan's economy. If foreign investment in Kazakhstan's economy decreases, it may experience liquidity constraints, limiting the availability of capital for businesses and potentially slowing Kazakhstan's economic growth. Kazakhstan's economy is also not immune from developments in the economies of other countries located in emerging markets. Financial unrest or instability experienced in one or more countries located in emerging markets, especially countries in the CIS, around the Caspian Sea or in Central Asia (some of which have recently experienced significant political instability, including terrorism and internal unrest), could have a negative impact on Kazakhstan's economy and a material adverse effect on the trading price of the Notes and, potentially, the Bank's ability to make payments of principal and interest under the Notes.

Kazakhstan's economy is vulnerable to external shocks and fluctuations in the global economy

Kazakhstan's economy and finances have been affected adversely by global financial developments and political changes in certain emerging markets. Real GDP growth amounted to 4.1 per cent. in 2021, 3.2 per cent. in 2022 and to 5.1 per cent. in 2023. For the nine months ended 30 September 2024 real GDP growth was 3.2 per cent. While in recent years Kazakhstan has sought to diversify its economy and, in particular, to increase export of manufacturing products, Kazakhstan continues to remain heavily reliant on the oil and gas industry and on hydrocarbon exports. For more information on the risks associated with the relatively undiversified nature of Kazakhstan's economy and a significant degree of reliance of the country's public finances on the performance of the oil and gas industry, see "— *Kazakhstan is heavily dependent on any material reduction in the price of commodities".*

Changes in both the global and domestic environment have resulted in, amongst other things, lower liquidity levels across the banking sector, tighter credit conditions for Kazakhstan companies generally and fluctuating global demand for, and instability in, the price of crude oil and other commodities and downward pressure on the tenge. For example, the tenge experienced a significant depreciation against the U.S. dollar in the first quarter of 2022 mainly due to significant deterioration of external factors, such as depreciation of the Russian Rouble and the decrease in crude oil prices (starting from October 2018) due to increased oil reserves and oil production by principal exporters. In 2022, the tenge faced new pressures and volatility due to the conflict between Ukraine and Russia, the sanctions imposed by numerous countries on Russia, a major trade partner of Kazakhstan, and resultant disruptions in supply chains and historical trading relationships. In 2024, the tenge experienced a further notable depreciation against the U.S. dollar due to increased demand for the U.S. dollar, global market volatility and the strengthening of the U.S. dollar.

Kazakhstan's economy remains vulnerable to external shocks and the economic performance of its trade partners. A significant decline in economic growth in the EU or any of Kazakhstan's other major trade partners, including Russia (whether or not resulting from sanctions imposed by, among others, the U.S., the UK and the EU), could have a material adverse effect on Kazakhstan's balance of trade and adversely affect Kazakhstan's economic growth. Kazakhstan also depends on neighbouring states to access world markets for a number of its major exports. Should access to these export routes be materially impaired, this could adversely impact Kazakhstan's economy. Events occurring in one geographic or financial market sometimes have so-called "contagion effects", whereby they result in an entire region or class of investments being disfavoured by international investors. Kazakhstan has been adversely affected by contagion effects in the past and it is possible that the market for investments in Kazakhstan, including the Notes, will be similarly affected in the

future by negative economic or financial developments in neighbouring countries or countries whose economies or credit ratings are similar to those of Kazakhstan. See "*— The Russia-Ukraine conflict and the sanctions imposed on Russia by numerous national and international authorities in response, as well as countermeasures taken by Russia, have had, and will continue to have, an adverse impact on the Bank's business, results of operations, financial condition and prospects*". The most significant contagion affecting Kazakhstan's economy is the global change in prices for energy resources, metals and other commodities.

There can be no assurance that weaknesses in the global economy, or a future external economic crisis, will not have a negative effect on Kazakhstan's economy or on investors' confidence in Kazakhstan's markets. This could affect the Bank's ability to raise capital in the international debt markets and may have a material adverse effect on the trading price of the Notes.

Kazakhstan's economy is heavily dependent on the price of commodities

Kazakhstan is a major exporter of commodities, including oil and natural gas. In 2023, mineral products (including oil, gas and coal as well as metals and precious stones) accounted for 65.7 per cent. of Kazakhstan's exports based on actual trade flows. For the nine months ended 30 September 2024, mineral products (including oil, gas and coal as well as metals and precious stones) accounted for 65.1 per cent. of Kazakhstan's exports based on actual trade flows.

Kazakhstan's economy and the State Budget, therefore, particularly rely on fiscal revenues from the export of minerals, in particular crude oil and oil products. Taxes on oil and petroleum product companies are a major source of revenue for the National Fund of Kazakhstan (the "**National Fund**"), which has an important stabilising function in the Kazakhstan economy and is responsible for accumulating financial resources for the benefit of future generations in Kazakhstan. The National Fund is currently the source for official transfers to the State Budget, which amounted to KZT4.5 trillion in 2021, KZT4.6 trillion in 2022, KZT4.0 trillion in 2023 and KZT5.6 trillion in 2024. According to the NBK, in December 2024, the National Fund held foreign currency assets in the amount of U.S.$58.8 billion. These assets allow the National Fund to act as a fiscal buffer against external shocks to the economy and to offset any shortfalls in tax revenues from extraction sector enterprises in a given year. It also provides protection to Kazakhstan against a devaluation of the tenge. In the event of a sustained decline in oil prices, the resources of the National Fund may be insufficient to maintain the appropriate level of liquidity in order to fund guaranteed transfers from the National Fund to the Republican Budget. Moreover, significant withdrawals from the Kazakhstan National Fund could adversely impact the country's macroeconomic stability and fiscal resilience, leading to heightened exposure to external shocks. A reduced National Fund balance may also limit the Government's capacity to respond to future crises, exacerbating risks related to the tenge devaluation, inflation and public debt levels. Such developments could have a material adverse effect on the Kazakhstan's economy and on investors' confidence in Kazakhstan's markets.

Kazakhstan's economy is significantly affected by volatility in international oil prices

Crude oil and oil product prices are subject to international supply and demand and margins can be volatile. Political developments, increased use of renewable energy sources that alter fuel or power availability, technological change and global economic conditions have an indirect impact on oil demand and prices. In 2021, the yearly average OPEC Reference Basket price reached U.S.$69.89 due to the increase in the demand due to the subsiding COVID-19 containment measures as well as the positive impact of the new OPEC agreement. In 2022, the yearly average OPEC Reference Basket price reached U.S.$100.08 which was principally driven by supply uncertainties caused by the Russian invasion of Ukraine in February 2022 and the sanctions imposed by major countries around the world on Russia as a result. In 2023, the yearly average OPEC Reference Basket price decreased to U.S.$82.95, following the developments in the sanctions regime imposed on Russia as well as a series of announcements by OPEC and non-OPEC members at the end of 2022 and in early 2023 aimed at the stabilisation of oil prices. In 2024, the yearly average OPEC Reference Basket price was U.S.$79.89 per barrel.

Prolonged declines or further drops in international oil prices could adversely affect Kazakhstan's economic stability, leading to reduced government revenues and constrained public spending. These developments, in turn, may adversely impact the Bank's business, results of operations, financial condition and prospects.

Production and transportation problems in the oil industry may result in reduced revenue for the National Fund

Any production problems in the oil industry, such as the suspension of production at the Kashagan oil field in October 2024 due to planned maintenance work, which led to the decrease in the daily production at the field, could lead to reduced revenue for the National Fund. No assurance can be given that similar production stoppages will not occur in the future. Additionally, any disruption of oil transportation, in particular due to Kazakhstan's heavy reliance on the Caspian Pipeline Consortium (the "**CPC**"), for any reason, including as a result of infrastructure failure, terrorism, natural disaster, industrial accident, public health threats and global pandemics or change in national government policy, could have a material adverse effect on Kazakhstan's economy. Due to the ongoing Russia-Ukraine conflict, there exists a certain possibility of a potential shutdown of the CPC, which is essential for transporting Kazakhstan's crude oil to global markets through Russia's Black Sea port of Novorossiysk. Occurrence of such circumstances in the future could result in continued reduced revenue for the National Fund, which, in turn, could have a material adverse effect on Kazakhstan's economy and financial condition.

The occurrence of pandemics and natural disasters and the impact of climate change may adversely impact Kazakhstan's economy

The occurrence of pandemics (including but not limited to COVID-19) may adversely impact Kazakhstan's economy by causing, amongst other things, supply chain disruptions and market volatility. For example, since 2020, the global economy has been exposed to the continuing effect of the COVID-19 pandemic which negatively affected the global economy and trade, and which also adversely impacted the economy of Kazakhstan by, amongst other things, contributing to a decline in GDP growth and to increased unemployment.

Natural disasters, including earthquakes and floods, are a threat to Kazakhstan's economy. Kazakhstan may also be increasingly threatened by climate change. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. Kazakhstan's economy is dependent on climate sensitive sectors, such as agriculture and Kazakhstan has suffered from severe droughts and flooding in the past which may become more frequent as a result of climate change. A change in climate may have several other consequences, including lower agricultural productivity, damage to coastal infrastructure, fragile ecosystems, impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

In an effort to reduce the negative impacts associated with climate change, the Government has incorporated a number of climate change adaptation and mitigation provisions into national legislation. The Environmental Code of the Republic of Kazakhstan No. 400-VI dated 2 January 2021, as amended, includes provisions on adaptation to climate change which envisages ongoing information gathering and vulnerability assessment, planning, development and implementation of climate change mitigation measures, followed by monitoring and evaluation of the effectiveness of climate change adaptation measures, regular reporting on the impact of climate change on Kazakhstan, and allows for regular adjustment of such measures by the Government. Expenditures associated with pandemic, natural disaster relief efforts or climate change mitigation efforts may adversely affect Kazakhstan's budgetary position.

Kazakhstan's banking sector remains weak and vulnerable to external shocks

Following the onset of the global financial crisis in 2008, credit growth in Kazakhstan stopped due to the lack of availability of wholesale debt financing, deposits became volatile and property prices decreased significantly. Oil prices declined significantly as well, which had an adverse effect on Kazakhstan's banking sector and the broader economy, as well as the exchange rate of the tenge. These factors caused significant losses for Kazakhstan's banks and a general destabilisation of Kazakhstan's banking sector. As a result, there was a material deterioration in the loan portfolio of banks, which, in some cases, continued through 2018. In some banks, the losses were so significant that it led to their insolvency and required the adoption of measures to resolve such insolvencies, including the revocation of their licence and liquidation, the recognition of losses by shareholders and some qualified creditors and Government support measures. During periods of instability in the financial markets, the Kazakhstan Government and the NBK have historically implemented measures to support the liquidity and solvency of Kazakhstan banks and to increase the availability of credit to businesses,

which have been seen as critical for restoring investor confidence and for supporting the economy. For example, in 2017, the Government contributed KZT2,093 billion to JSC "Fund of Problem Loans" (the "**FPL**"), which was established in 2012. FPL focuses on improving the quality of loan portfolios of Kazakhstan's second-tier banks. It plays a crucial role in the banking system of Kazakhstan as it helps manage and mitigate non-performing loans (loans overdue by more than 90 days) ("**NPLs**"), ensuring financial stability by acquiring and managing the impaired loans. In November 2020, the FPL purchased a distressed loans portfolio from JSC ATF Bank for KZT174 billion through the issue and placement of 10-year 9.0 per cent. bonds. In August 2021, the FPL carried out a similar transaction by purchasing a distressed loan portfolio from WORLDBUSINESS CAPITAL, INC for KZT6.5 billion financed through the issue and placement of 5-year 10.0 per cent. bonds. However, there can be no assurance that the Kazakhstan Government, the AFR and the NBK will continue to implement such measures or, even if taken, that such measures will succeed in materially improving the liquidity position and financial condition of the affected financial institutions in the future or that such measures will not be implemented selectively.

The low asset quality of Kazakhstan banks was caused not only by problems among borrowers but also by poor credit practices, including lending and collateral policies and practices. In light of debt restructurings, actual loan quality may be worse than indicated by reported levels of NPLs, which, according to the NBK, were 3.6 per cent., 3.2 per cent. and 3.2 per cent. of total loans for the banking sector as at 1 December 2022, 2023 and 2024, respectively. As a result, the banking sector might need additional financial assistance from the Government, which may be unwilling or unable to provide it. At the same time, loans with low returns and low coverage of provisions remain on the balance sheet of banks, which put pressure on the banks' capital.

Deficiencies in the Kazakhstan banking sector, combined with a deterioration in NPL portfolios held by banks in Kazakhstan, may result in the banking sector being more susceptible to future worldwide credit market downturns and/or economic slowdowns, which could have a material adverse effect on the trading price of the Notes.

Continued instability in the Kazakhstan financial sector and reduced investor confidence caused by any factor including the downturn of the global economy or volatility of the financial markets, could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

The high level of concentration in the banking sector elevates the level of systemic risk in the sector

There is a high level of concentration in the Kazakhstan banking sector, with the five largest banks collectively holding 71.6 per cent. of all customer deposits and accounting for 75.5 per cent. of the aggregate loan portfolio of all Kazakhstan banks as at 1 December 2024. The high level of concentration in the banking sector can significantly elevate the systemic risk, making the financial system more vulnerable to shocks and increasing the likelihood of widespread financial instability. Ongoing banking reform and related measures that may facilitate the establishment of foreign bank branches and subsidiaries may mitigate systemic risk to a degree, but the implementation of such measures is ongoing and their impact is not certain.

The Bank is largely dependent on the economic, social and political conditions prevailing in Kazakhstan

Most of the Bank's operations are conducted, and most of its assets are located in Kazakhstan. Kazakhstan became an independent sovereign state in 1991 upon the dissolution of the Soviet Union. Since then, Kazakhstan has experienced meaningful change as it has transformed from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy characterised by high inflation, instability of the local currency and rapid changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and is more advanced in this respect than some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims. In addition, the significant size of the shadow economy in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Kazakhstan Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process; however, the timing and steps for these reforms remain unclear.

Kazakhstan depends on neighbouring states for access to world markets for a number of its major exports, including oil, natural gas, steel, copper, ferroalloys, iron ore, aluminium, coal, lead, zinc and wheat. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact Kazakhstan's economy, which could in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Kazakhstan has, from time to time, experienced periods of political unrest, which has, and may have in the future, an adverse effect on the Bank's business, results of operations, financial condition and prospects. For example, on 2 January 2022, protests triggered by a rise in fuel prices began in the Mangistau region of Kazakhstan and spread to other regions in the country. The protestors demanded a number of social, economic and political reforms. Although the Kazakhstan Government took measures to respond to these demands, including by decreasing fuel prices, the protests escalated into significant social unrest in Almaty and southern regions of Kazakhstan. As a result, on 5 January 2022, a state of emergency was declared and restrictions were imposed on communication and transportation of people and vehicles, including railway and airline carriage, and activities of entities in certain locations. The state of emergency was lifted on 19 January 2022 as the situation in all regions of Kazakhstan stabilised, and the functioning of utilities and infrastructure were fully restored and restrictions on communication and transportation were removed. During the January 2022 events, a number of facilities were looted and damaged in Kazakhstan, including the Bank's facilities. Although the Bank's platforms and banking services continued to operate, there were significant limitations on Internet access throughout Kazakhstan, which led to disruption of online transactions. Financial institutions limited their operations for the period of the state of emergency. Due to these events, the Bank's losses amounted to KZT42.7 million, which were recognised in the Bank's technology and product development expenses for the respective period. In response to the economic implications of the January 2022 events, the Kazakhstan Government launched several initiatives. A public fund "Kazakhstan Halkyna," which was funded from private and public sources, was established to support citizens of Kazakhstan in the fields of healthcare and education and to provide other social support.

On 24 February 2022, due to the Russia-Ukraine conflict, the NBK set the base rate at 13.5 per cent. with a corridor of 1.0 percentage point. As at date of this Information Memorandum, the NBK's base rate was set at 15.25 per cent. with a corridor of 1 percentage point. In order to maintain the stability of the financial market and support the attractiveness of tenge deposits, the Kazakhstan Government announced a protection programme for tenge deposits, under which tenge deposits of individuals have been provided with compensation from the Kazakhstan government's budget resources generally equal to 10.0 per cent. of savings as at 23 February 2022. There can be no assurance that any further support measures, if adopted, will promote the economic stability of Kazakhstan or will not negatively impact the Bank's business, including by reducing the willingness of customers to finance purchases due to higher interest rates.

On 5 June 2022, a referendum on the amendments to the Constitution of Kazakhstan providing for, among others, limitations on the powers of the president, reforming the Constitutional Council and strengthening the role of the local representative authorities was held and the proposed amendments were adopted. In September 2022, President Tokayev signed a decree for an early presidential election which he won in November 2022 after securing 81.31 per cent. of the votes. President Tokayev was re-elected for a 7-year term until 2029. The prevailing political conditions in Kazakhstan have continued to develop following the events of January 2022 and the last elections. However, renewed uncertainty with respect to the political environment in Kazakhstan, with possible political and economic reforms, their absence or similar events, circumstances or other forms of political instability may have a material adverse impact on the financial and economic condition of Kazakhstan, which could in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Local inflationary pressures have increased the prices of goods and services, which could raise the costs associated with providing the Bank's services, diminish the Bank's ability to compete or reduce consumer buying power

The Bank's operations are primarily located in Kazakhstan and a majority of its costs are incurred in Kazakhstan. Since the majority of the Bank's expenses are denominated in tenge, inflationary pressures in Kazakhstan are a significant factor affecting the Bank's expenses. For a variety of reasons, including geopolitical factors,

Kazakhstan is facing heightened inflationary pressure, impacting the cost of doing business (in both supply and labour markets). These inflationary pressures have been and could continue to be exacerbated by geopolitical turmoil and economic policy actions, and the duration of such pressures is uncertain. According to the Bureau of National Statistics of Kazakhstan (the "**NSB**"), the annual inflation rate in 2024, 2023 and 2022 was 8.6 per cent., 9.8 per cent. and 20.3 per cent., respectively. High inflation rates largely reflect the broader regional trend of rising inflation influenced by global economic pressures. A period of sustained inflation, coupled with high interest rates, could lead to market instability, new financial crises, a decrease in loan origination, an increase in borrower defaults, reductions in consumer purchasing power and the erosion of consumer confidence, all of which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Exchange rate fluctuations could have an adverse impact on the Bank's business

Since the NBK's adoption of a floating rate exchange policy for the tenge in 1999, the currency has fluctuated significantly, particularly during periods of volatility on the global financial and commodity markets.

In 2022, the tenge faced new pressures and volatility due to the Russia-Ukraine conflict, the sanctions imposed on Russia, a major trade partner of Kazakhstan, and resultant supply chain disruptions. The tenge experienced sharp depreciation in the first quarter of 2022, with the exchange rate reaching KZT473,54: U.S.$1.00. By the end of 2022 and 2023, the exchange rate stabilised around KZT462.65: U.S.$1.00, KZT454.56: U.S.$1.00. In 2024, the tenge experienced a further notable depreciation against the U.S. dollar due to increased demand for the U.S. dollar, global market volatility and the strengthening of the U.S. dollar. By the end of 2024, the exchange rate stabilised around KZT523.54: U.S.$1.00, respectively.

The Bank's assets, liabilities, share capital and equity are denominated in tenge, and the Bank also declares dividends on its common shares in tenge. As a result, any significant devaluation of the tenge against the U.S. dollar will lead to a decrease in the U.S. dollar equivalents of these amounts. A devaluation of the tenge against the U.S. dollar or other foreign currencies could result in a further outflow of tenge deposits and increase the Bank's actual interest expense on its foreign currency-denominated liabilities. Any of these developments may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Kazakhstan's Currency Control Law allows the Government to introduce currency control measures which may hinder the stability and growth of Kazakhstan's economy

Under the Law of the Republic of Kazakhstan No. 167-VI dated 2 July 2018 "On Currency Regulation and Currency Control", as amended (the "**Currency Control Law**"), the Government – based on a joint recommendation from the NBK and other competent authorities – is entitled to introduce "payment balance protection measures". These measures can be established when there is a serious threat to the stability of (i) the balance of payments, (ii) the internal currency market and/or (iii) the economic security of Kazakhstan, provided that such threats cannot be resolved by other economic policy measures. The payment balance protection measures must comply with the international treaties ratified by Kazakhstan, if and when such treaties entered into within the framework of participation in international organisations. Such measures must have temporary effect and be cancelled when the circumstances that led to their introduction are eliminated. Should the payment balance protection measures impose new permits (licences) or notification requirements, such new permits (licences) or notification requirements are exempt from the requirements of the Law "On Permits and Notifications" No. 202-V dated 16 May 2014. In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the IMF, the currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Information Memorandum, the Government has not invoked payment balance protection measures. Should the Government decide to introduce such measures in the future, Kazakhstan may face potential risks such as reduced foreign investment, diminished investor confidence and restricted access to international capital markets, which could have a material adverse effect on Kazakhstan's economic stability and growth and the Bank's business, results of operations, financial condition and prospects.

There are risks of corruption and other business environment weaknesses in Kazakhstan

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Kazakhstan. Kazakhstan was ranked 93 out of 180 countries in Transparency

International's 2023 Corruption Perceptions Index. Kazakhstan's score in the 2023 index was 39 (with 1 being the most corrupt score and 100 being the least corrupt), an increase compared to the ranking of 101 out of 180 in Transparency International's 2022 Corruption Perceptions Index, where Kazakhstan's score was 36. Kazakhstan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement.

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Kazakhstan could have a material adverse effect upon Kazakhstan's ability to attract foreign investment, which could, in turn, have a material adverse effect on Kazakhstan's economy.

The Bank has developed controls to identify and investigate potential corruption and violations of anti-corruption laws and work with law enforcement and anti-corruption agencies to strengthen oversight and controls to avoid instances of bribery or corruption, but there can be no assurance that the Bank will not experience instances in which the Bank's employees are subject to allegations or investigations from time to time. While there are no current material investigations or accusations pending against the Bank's senior management, any accusations or arrests of employees for corruption, or perception of corruption on the part of the Bank's employees, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank may have difficulties in obtaining effective redress in court proceedings

The Kazakhstan judicial system is not immune from economic and political influences. The judicial system is often understaffed and underfunded. Judges are generally inexperienced in corporate law matters. Not all Kazakhstan legislation and court decisions are readily available to the public or organised in an accessible manner. The Kazakhstan judicial system can be slow and court orders are not always enforced or followed by law enforcement agencies. All of these shortcomings may affect the Bank's ability or the ability of Noteholders to obtain effective legal redress in Kazakhstan courts. In addition, the press has reported that court claims and Government prosecutions are often used to further political aims supported by the courts. The Bank may be subject to such political claims and may not receive a fair hearing. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain, which could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Challenges in the implementation of economic and financial reforms may mean such reforms are delayed or do not happen, which may have a negative effect on the performance of Kazakhstan's economy

In order to ensure the sustainable growth of Kazakhstan's economy, the Government has been implementing a wide range of economic, financial and banking system reforms, and reforms of the legal, tax and regulatory environment. The Government has approved policy measures and actions to promote private sector investments, diversify the economy, to broaden the tax base and to facilitate access to credit to further foster private investment in Kazakhstan by both local and foreign investors.

The continued pursuit of Kazakhstan's long-term objectives in these areas, including those contemplated by the Kazakhstan-2050 Strategy, National Development Plan 2029 and National Plan 2025, will depend on a number of factors, including continued political support in Kazakhstan and across multiple government ministries, adequate funding, the outcome of policy reviews, improved security, power sector reform, availability of human capital and enhanced coordination between the relevant stakeholders. The economic and other assumptions underlying the objectives set forth in the Kazakhstan-2050 Strategy, National Development Plan 2029 and National Plan 2025, including with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit, may not be met, which would undermine Kazakhstan's ability to achieve its stated objectives. Failure to achieve one or more of the objectives or complete certain reforms or projects set forth in the Kazakhstan-2050 Strategy and National Plan 2025 may render it difficult to achieve other stated objectives, and Kazakhstan's ability to achieve its strategic objectives may be affected by many factors beyond its control. Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. In addition, the Government has a number of privatisation plans, which may be difficult to achieve without implementing further legislation or active participation from international investors.

If the Government is not able to fund or implement the large number of reforms and proposals (including privatisations) currently being proposed, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives, which could result in an adverse effect on the Kazakhstan's economy.

The Bank depends on the performance, reliability and security of the telecommunications and Internet infrastructure in Kazakhstan

The Bank's business depends on the performance, reliability and security of the telecommunications and Internet infrastructure in Kazakhstan, where the Bank's computer hardware is currently located. Any disruptions in, or failures of, the telecommunications and internet infrastructure in Kazakhstan may adversely affect the quality or availability of the Bank's platforms. The failure of telecommunications network operators to provide the Bank with the requisite bandwidth could affect the speed and availability of the Bank's platforms.

Moreover, if the security of the Bank's domain names is compromised for any reason, the Bank will be unable to use such domain names in its business operations, which in turn could adversely affect the Bank's business and brand image. While the Bank has systems and processes designed to implement adequate measures of encryption of data transmitted through the networks, there is no assurance that the Bank's data could be misappropriated by a third party due to vulnerabilities in Kazakhstan's telecommunications and internet infrastructure, which could adversely affect the Bank's business, results of operations, financial condition and prospects.

Kazakhstan's taxation system is subject to frequent change

Kazakhstan's taxation system is continually evolving and subject to frequent and, at times, ambiguous changes, which could adversely affect the Bank. Currently, Kazakhstan's tax legislation is based on Code No. 120-VI of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget (Tax Code)", dated 25 September 2017 (the "**Tax Code**"), enacted by Law No. 121-VI of the Republic of Kazakhstan, dated 25 September 2017.

Historically, the tax collection system in Kazakhstan has been unpredictable, with changes to tax legislation often occurring on short notice and, in some cases, applied retroactively. Such changes affect not only the rules of tax administration but also other key provisions such as tax base and rate determination. Additionally, Kazakhstan's tax legislation is regularly amended, contributing to tax uncertainties that may have adverse implications for the Bank.

Recently, the Tax Code was amended by the Law of the Republic of Kazakhstan No. 45-VIII "On Amendments and Additions to the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget' (Tax Code)" and to the Law of the Republic of Kazakhstan "On the Enactment of the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" (Tax Code)" dated 12 December 2023 (the "**Tax Code Amendment Law**"). Among other changes, the Tax Code Amendment Law introduced amendments to the taxation of second-tier banks, including the Bank. Specifically, starting on 1 March 2024, second-tier banks are no longer allowed to exclude interest income on or gains from the realisation of government securities issued by the NBK from the corporate income tax base. Additionally, this restriction will apply to all government securities beginning on 1 January 2030. As the Bank's investment portfolio includes government securities, these amendments are expected to increase the Bank's tax liabilities, potentially adversely affecting its financial performance.

The introduction of a new Tax Code, originally planned for 1 January 2025, was delayed to 1 January 2026 following Kazakhstan President's state-of-the-nation address on 2 September 2024. The latest draft version of the new Tax Code, published prior to the address, is currently under discussion and revision by the state authorities. This creates uncertainty about the eventual impact on taxpayers, including the Bank. Notably, there have been discussions regarding the removal of VAT exemptions on certain financial services, which, if implemented, could substantially increase the Bank's VAT-related costs.

On 28 January 2025, the Government of Kazakhstan proposed raising the VAT rate. The Prime Minister announced this during an expanded Government meeting with the President. Later, at a briefing, the Deputy Prime Minister confirmed that the VAT rate could increase from 12.0 per cent. to 20.0 per cent., although a final

decision has yet to be made. The President has given preliminary approval but emphasised the need for further discussions. If adopted, this change may increase the VAT burden for the Bank, especially with the potential removal of VAT exemption on financial services.

With regard to corporate income tax, the available draft version of the new Tax Code stipulates a corporate income tax rate of 25.0 per cent. on taxable income earned from banking activities, except for taxable income earned from financing the so-called "real sectors of the economy". If the new Tax Code is adopted in its current version, the Bank will be subject to corporate income tax at 25.0 per cent. on most of its income (the effective corporate income tax rate is 20.0 per cent.). Additionally, the draft version of the new Tax Code, which is expected to be in effect starting from 1 January 2026, does not include a provision according to which interest income on or gains from the realisation of government securities of Kazakhstan are excluded from the corporate income tax base.

The application and interpretation of tax regulations in Kazakhstan vary across and within government bodies. This inconsistency increases uncertainty and tax risks, potentially leading to enforcement challenges. Official explanations and court decisions are often unclear or contradictory, while written clarifications issued by the Kazakhstan tax authorities are not legally binding and may not be considered during dispute resolution. Moreover, tax authorities occasionally revise their positions on specific provisions, adding to the unpredictability.

Due to the ambiguity of certain provisions in Kazakhstan's tax legislation, the complexity of tax matters, and inconsistent practices among tax authorities and courts, taxpayers and authorities may interpret the same provisions in a different way. Therefore, taxation in Kazakhstan remains unclear and inconsistent in some cases, increasing the risk of additional tax assessments and liabilities. These uncertainties could materially and adversely affect, *inter alia*, the Bank's business, results of operations, financial condition or prospects.

References to the IFRS in the Tax Code could result in adverse tax assessment for the Bank

A significant part of the Tax Code contains direct links to the IFRS, which makes the IFRS an important and considerable factor within Kazakhstan's tax system. Given that the IFRS are built on the "substance over form" principle, the application of certain principles and methods of the IFRS is a matter of professional judgment, which may result in tax disputes between the Bank and the Kazakhstan tax authorities. During tax audits, the Kazakhstan tax authorities sometimes interpret the IFRS in a way that could differ from professional judgment of financial reporting specialists and/or auditors. In addition, the Kazakhstan tax authorities issue letters where they give their own interpretation of the IFRS which does not take into account all aspects of application of the IFRS.

The application of the IFRS in the taxation system of Kazakhstan entails a risk of ambiguous or inconsistent interpretation and may therefore lead to additional, and potentially material, tax assessments on the Bank. Such tax assessments could have a material adverse effect on, *inter alia*, the Bank's business, results of operations, financial condition or prospects.

Risks Related to the Notes

The Notes are pari passu securities

Subject to the restrictions on levels of indebtedness in other agreements and under prudential norms, there is no restriction on the amount of securities the Issuer may issue and which may rank equally in right of payment with the Notes. The issue of any such securities may reduce the amount investors may recover in respect of the Notes in certain scenarios as the incurrence of additional debt could affect the Issuer's ability to repay principal of, and make payments of interest on, the Notes. This could have a material adverse effect on the trading price of the Notes.

The Notes constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims, which would be satisfied only after any secured creditors, if at all. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

The Issuer's obligations under the Notes will rank after obligations to depositors

In the event of the forced liquidation of the Issuer, including due to its bankruptcy, Issuer's obligations under the Notes will rank in the eighth order of priority, on par with other unsecured commercial creditors of the Issuer. At the same time, claims under the deposits of individuals and legal entities not affiliated with the Issuer will rank in the fourth and sixth orders of priority, respectively. Claims of each order of priority are satisfied only after the full satisfaction of claims of the preceding order of priority. Therefore, claims of depositors may reduce the amount which investors may recover in respect of the Notes in certain scenarios and could negatively affect the Issuer's ability to repay principal of, and make payments of interest on, the Notes.

There is no public market for the Notes

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. Application has been made to the Vienna Stock Exchange for the Notes to be admitted to trading on the Vienna MTF. The Issuer has also authorised the arrangement of the Notes to be offered in the Republic of Kazakhstan through an organised securities market in the Republic of Kazakhstan, in relation to which application has been made to the AIX for the Notes to be included in the official list of and be admitted to trading on the AIX. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Bank's financial condition, performance and prospects, as well as recommendations of securities analysts. Disruptions in the global capital markets may lead to reduced liquidity, increased credit risk premiums and a reduction in investment in securities. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile

The trading price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results and those of the Bank's competitors, adverse business developments, changes to the regulatory environment in which the Bank operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the credit rating of the Bank. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that cause substantial volatility in the prices of such securities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the trading price of the Notes without regard to the Bank's operating results, financial conditions or prospects or credit rating.

The Notes may or must be redeemed prior to maturity for certain reasons

On the occurrence of one of the early redemption events described in Condition 7, the Issuer may, or in some cases must, redeem the Notes in whole or in part together with accrued and unpaid interest at any time, and the Issuer shall redeem all outstanding Notes in accordance with the Conditions. On such redemption, or at maturity, the Issuer may not have the funds to fulfil its obligations under the Notes and it may not be able to arrange for additional financing. Further, if the Issuer is able or perceived to be able to redeem the Notes prior to their maturity then this may adversely affect the market price of the Notes from time to time.

The Bank will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes, if any applicable to interest or other payments on the Notes

As provided in Condition 9 (*Taxation*), all payments of interest and other amounts payable in respect of the Notes by the Bank will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, the Bank will be required to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such withholding or deduction been required as more fully described in Condition 9.

As described in Condition 7, the Bank will have the right to redeem the Notes in whole, but not in part, at any time, if (i) immediately prior to the giving of such notice that the Bank has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan, or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or becomes effective on or after the Issue Date and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it. Upon such a redemption, investors in such Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. This redemption feature is also likely to limit the market value of the Notes at any time when the Bank has the right to redeem them as provided above, as the market value at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in the period before such time when any relevant change in law or regulation is yet to become effective.

Modification and waivers

The Conditions contain provisions for calling meetings of the Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of certain provisions of the Notes or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature and is made to correct a manifest error, (ii) any other modification thereof (subject as provided in the Trust Deed) or any waiver or authorisation of any breach or proposed breach thereof which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited

Except in limited circumstances, the Notes will be issued only in global form, with interests therein held through the facilities of DTC and/or Euroclear and/or Clearstream, Luxembourg. Ownership of beneficial interests in the Notes is shown on, and the transfer of that ownership is effected only through, records maintained by DTC and/or Euroclear and/or Clearstream, Luxembourg, or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because DTC and/or Euroclear and/or Clearstream, Luxembourg, can only act on behalf of their participants, which, in turn, act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge or transfer such interest to persons or entities that do not participate in the DTC and/or Euroclear and/or Clearstream, Luxembourg systems may be impaired.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payment through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Additional Notes may be issued with identical terms but that are not otherwise "fungible" with the original Notes for U.S. federal income tax purposes, which may impact the market value of the original Notes.

The Issuer may, without the consent of the holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount ("**OID**") (or a greater amount of OID) even if the original Notes had no OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Enforcement of judgments or arbitral awards against the Bank can be difficult

Kazakhstan's courts will not enforce any judgment of a court established in a country other than Kazakhstan unless: (i) there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty; or (ii) based on the principle of reciprocity. There is no such treaty in effect between Kazakhstan and the United Kingdom, and the principle of reciprocity has not been developed in the court practice. However, each of Kazakhstan and the United Kingdom are parties to the New York Convention and, accordingly, an arbitral award should be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in New York Convention and applicable Kazakhstan laws are met. See "*Limitations on Enforcement of Arbitral Awards and Judgments*".

However, even if an applicable international treaty is in effect, or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will remain subject to any exceptions and limitations provided for in Kazakhstan law. Therefore, there remains a risk that a claimant will not be able to have a foreign judgment recognised or enforced in the Kazakhstan courts. For example, a Kazakhstan court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would be contrary to Kazakhstan public policy.

As a result, it may be difficult for claimants to obtain recognition or enforcement in Kazakhstan of a foreign judgment in respect of the Notes, the Agency Agreement and the Trust Deed.

USE OF PROCEEDS

The net proceeds from the offering of Notes, after payment of commissions and expenses related to the offering of Notes, will be approximately U.S.$394,000,000.

The Issuer will use the net proceeds from the issuance of the Notes for general banking business.

CAPITALISATION

The following table sets forth the Group's capitalisation as at 30 September 2024. This information should be read in conjunction with the Financial Statements and the notes thereto included elsewhere in this Information Memorandum and "*—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

	As at 30 September 2024
	million tenge
Liabilities	
Current accounts and deposits of customers	2,731,483
Amounts due to banks and other credit institutions	82,362
Amounts payable under repurchase agreements	424,591
Debt securities issued	288,274
Subordinated debt	14,647
Deferred tax liabilities	15,011
Other liabilities	46,421
Total liabilities	**3,602,789**
Equity	
Share capital	332,815
Additional paid-in capital	23,651
Treasury shares	(3,465)
Fair value reserve	7,890
Retained earnings	137,258
Total equity	**498,149**
Total capitalisation and liabilities	**4,100,938**

Since 30 September 2024 there has been no material adverse change in the capitalisation or indebtedness of the Group.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information set forth below as at and for the nine-month periods ended 30 September 2024 and 30 September 2023 and as at and for the years ended 31 December 2023, 2022 and 2021 has been extracted without material adjustment from the Annual Financial Statements and Interim Financial Statements. The additional financial data includes APMs and non-IFRS measures and was derived from data extracted from the Annual Financial Statements, Interim Financial Statements and unaudited consolidated management accounts. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Annual Financial Statements and Interim Financial Statements and related notes included elsewhere in this Information Memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Selected Consolidated Statement of Comprehensive Income

	Nine-month period ended 30 September		Year ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
			million tenge		
	(unaudited)			(audited)	
Interest income calculated using the effective interest method	379,676	264,012	370,682	258,780	191,897
Other interest income	4,017	2,400	3,424	1,961	1,147
Interest expense	(194,520)	(128,451)	(180,758)	(132,108)	(97,109)
Net interest income	**189,173**	**137,961**	**193,348**	**128,633**	**95,935**
Fee and commission income	26,147	26,675	36,306	36,210	37,293
Fee and commission expense	(9,941)	(9,906)	(13,134)	(12,242)	(14,809)
Net gain/(loss) on financial instruments at fair value through profit or loss	5,280	12	(958)	2,011	-
Net gain/(loss) on derecognition of investment securities at fair value through other comprehensive income	231	(36)	(32)	311	(195)
Net foreign exchange gain	16,924	23,713	31,909	49,862	11,025
Dividend received	496	302	-	-	-
Other income	2,675	6,182	8,749	3,744	4,123
Non-interest income	41,812	46,942	58,053	75,419	41,516
Credit loss expenses	(34,326)	(32,770)	(49,725)	(37,650)	(9,883)
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(766)	(3,358)	(4,787)	(4,477)	4,079
Net loss on modification of a liability that results in derecognition	(3,593)	-	-	-	-
General and administrative expenses	(63,444)	(58,547)	(79,106)	(62,205)	(51,282)
Other expenses	(5,522)	(4,200)	(6,109)	(5,484)	(8,029)
Non-interest expenses	(107,651)	(98,875)	(134,940)	(105,339)	(70,348)
Profit before corporate income tax benefit	**123,334**	**86,028**	**116,461**	**98,713**	**67,103**
Corporate income tax (expense)/benefit	(10,712)	545	(24)	(627)	(3,043)
Profit for the period	**112,622**	**86,573**	**116,437**	**98,086**	**64,060**
Other comprehensive income:					
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods:					
Net change in fair value of debt instruments through other comprehensive income	13,628	11,538	18,791	(33,202)	(320)
Changes in allowance for expected credit loss of debt instruments at fair value through other comprehensive income	698	195	120	337	(1,081)
Reclassification of cumulative (loss)/gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss	(231)	36	32	(311)	195
Income tax relating to components of other comprehensive income	(164)	2	18,645	(32,511	136
Other comprehensive income for the period, net of tax	**13,934**	**10,968**	**17,842**	**(32,023)**	**(1,070)**
Total comprehensive income for the period	**126,556**	**97,541**	**134,279**	**66,063**	**62,990**

Selected Consolidated Statement of Financial Position Information

	As at 30 September	As at 31 December		
	2024	**2023**	**2022**	**2021**
	million tenge			
	(unaudited)		(audited)	
Assets				
Cash and cash equivalents	856,458	704,042	457,962	432,948
Amounts due from credit institutions	47,215	101,430	31,046	46,990
Securities measured at fair value through profit or loss	2,868	3,016	2,763	2,970
Loans to customers	1,674,244	1,377,500	1,173,542	808,948
Investment securities:				
Held by the Group	984,100	789,486	922,446	960,047
Pledged under sale and repurchase agreement	426,168	164,168	68,128	25,062
Property and equipment	54,617	56,665	59,020	62,637
Intangible assets	15,385	13,867	14,550	14,071
Other assets	39,883	43,001	59,929	72,116
Total assets	**4,100,938**	**3,253,175**	**2,789,386**	**2,425,789**
Liabilities				
Current accounts and deposits of customers	2,731,483	2,261,023	2,011,734	1,733,759
Amounts due to banks and other credit institutions	82,362	68,384	66,751	85,189
Amounts payable under repurchase agreements	424,591	163,523	67,980	25,064
Debt securities issued	288,274	267,250	249,473	253,120
Subordinated debt	14,647	14,389	16,795	13,987
Deferred tax liabilities	15,011	12,732	13,904	20,503
Other liabilities	46,421	36,066	18,989	16,470
Total liabilities	**3,602,789**	**2,823,367**	**2,445,626**	**2,148,092**
Equity				
Share capital	332,815	332,815	332,815	**332,815**
Additional paid-in capital	23,651	23,651	23,651	**23,651**
Treasury shares	(3,465)	(3,465)	(3,465)	**(3,465)**
Fair value reserve	7,890	(6,044)	(23,886)	**8,137**
Retained earnings	137,258	82,851	14,645	**(83,441)**
Total equity	**498,149**	**429,808**	**343,760**	**277,697**
Total liabilities and equity	**4,100,938**	**3,253,175**	**2,789,386**	**2,425,789**

Selected Key Performance Indicators

	As at or for the nine-month period ended 30 September		As at or for the year ended 31 December		
	2024	2023	2023	2022	2021
			%		
Financial Performance					
Return on average assets[(1)]	4.1%	4.1%	3.9%	3.8%	2.8%
Return on average equity[(2)]	32.4%	31.3%	30.1%	31.6%	23.7%
Cost-to-income ratio[(3)]	28.7%	33.0%	32.2%	31.3%	40.0%
Net Interest Margin[(4)]	7.2%	6.9%	7.1%	5.3%	4.7%
Allowance for loan losses / Gross loans[(5)]	4.9%	6.9%	6.1%	5.3%	4.5%
Interest received / interest accrued[(6)]	94.4%	96.0%	94.1%	96.8%	92.5%
Liquidity					
Total liquid assets[(7)] / total assets	48.0%	39.6%	42.1%	41.3%	46.5%
Loan to deposit ratio[(8)]	64.4%	67.7%	64.9%	61.6%	48.9%
Capital Adequacy					
Regulatory Capital Ratio[(9)]	21.70%	18.70%	21.20%	20.20%	24.30%
Capital Adequacy Ratio[(9)]	21.40%	18.30%	20.80%	19.60%	23.10%
Credit Quality					
Non-performing loans as a proportion of the loans, gross (NPL ratio)[(10)]	3.5%	6.3%	4.7%	5.9%	8.5%
Non-performing loans coverage[(11)]	138.0%	109.7%	130.3%	89.3%	52.8%
Credit impaired loans / gross loans[(12)]	4.9%	8.9%	6.6%	8.7%	13.2%
Cost of risk[(13)]	2.8%	3.1%	3.6%	3.5%	1.4%
Risk-Weighted Assets (RWA) density[(14)]	53.7%	64.7%	60.1%	57.7%	44.9%

Notes:

(1) Return on average assets is calculated based on the opening and ending balances of each applicable period. For consistency of presentation, amounts for the nine-month periods ended 30 September 2024 and 2023 are calculated by dividing the value of the profit in formula by 9 and multiplying by 12. Such amounts should not be treated as any forecast of future returns.

(2) Return on average equity is calculated based on the opening and ending balances of each applicable period. For consistency of presentation, amounts for the nine-month periods ended 30 September 2024 and 2023 are calculated by dividing the value of the profit in formula by 9 and multiplying by 12. Such amounts should not be treated as any forecast of future returns.

(3) Cost-to-income ratio is calculated as general and administrative expenses divided by the sum of operating income. Sum of operating income includes net margin on interest and similar income, net fee and commission income (calculated as commission income minus commission expense), net gain from trading in foreign currencies, net gain/(loss) on financial instruments at fair value through profit or loss, net gain/(loss) on derecognition of investment securities measured at fair value through other comprehensive income, net loss on derecognition of financial assets measured at amortised cost, dividends received and net other income/(expenses).

(4) Net interest margin is calculated as net margin on interest and similar income divided by average interest-earning assets. The average interest-earning assets are based on the average of the quarter-end balances within each applicable period. Interest-earning assets include loans and advances to customers, investment securities measured at amortised cost, cash and cash equivalents (excluding cash on hand) and due from other banks. For consistency of presentation, amounts for the nine-month periods ended 30 September 2024 and 2023 are calculated by dividing net interest margin formula by 9 and multiplying by 12. Such amounts should not be treated as any forecast of future margin.

(5) Allowance for loan losses / Gross loans is calculated as allowance for expected credit losses as at the period end divided by total loans and advances to customers, gross as at the period end.

(6) Interest received / interest accrued is calculated as interest received on loans to customers divided by the interest income accrued on loans to customers.

(7) Total liquid assets represent cash and cash equivalents and investment securities measured at FVOCI divided by the total assets.

(8) Loan to deposit ratio represents gross loan portfolio divided by the current accounts and deposits of customers.

(9) Regulatory Capital Ratio (ratio of regulatory capital to risk weighted assets) and Capital Adequacy Ratio (ratio of tier 1 capital to risk weighted assets) are calculated based on NBK standards.

(10) Non-performing loans are defined as loans and advances to customers, gross, with overdue payments of principal loan amount and/or interest by more than 90 days as at the period end. NPL ratio is calculated as non-performing loans divided by total loans and advances to customers, gross as at the period end.

(11) Non-performing loans coverage is calculated as the amount of allowance for expected credit losses as at period end divided by the total amount of the Non-performing loans (as defined in Note 10 above) as at the period end.

(12) Credit impaired loans / gross loans is calculated as Stage 3 and POCI (credit-impaired) loans and advances to customers, gross as at the period end divided by loans and advances to customers, gross as at the period end.

(13) Cost of risk is calculated as credit loss expenses on loans to customers divided by average gross loan portfolio (based on the opening and ending balances of each applicable period). For consistency of presentation, amounts for the nine-month periods ended 30 September 2024 and 2023 are calculated by dividing the value of the credit loss expenses on loans to customers in formula by 9 and multiplying by 12. Such amounts should not be treated as any forecast of future cost of risk.

(14) Risk-Weighted Assets density is calculated as total risk-weighted assets, contingent liabilities, operational and market risk divided by total assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the "Group's consolidated financial condition and results of operations covers the nine months ended 30 September 2024 and 2023 and the years ended 31 December 2023, 2022 and 2021. Unless otherwise indicated, all of the financial data and discussions thereof are based on the Annual Financial Statements and Interim Financial Statements. This section should be read together with the Annual Financial Statements and Interim Financial Statements and the notes thereto, as well as the other financial information included elsewhere in this Information Memorandum.

The following discussion contains forward-looking statements. The Group has based these forward-looking statements on its current projections and expectations about future events. The actual results of the Group may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set for under "Risk Factors" and elsewhere in this Information Memorandum.

Overview

The Bank is one of the leading banks in the Republic of Kazakhstan offering a wide range of banking products, offerings and solutions. According to the NBK, as at 1 December 2024, the Bank was the fifth largest commercial bank in Kazakhstan by total assets (with a 6.7 per cent. market share), fifth by loan portfolio size (with a 5.4 per cent. market share), sixth by capital (with a 6.1 per cent. market share), fourth by deposits (with a 7.1 per cent. market share) and fifth by net profit (with a 5.9 per cent. market share).

The Bank operates in four principal business areas: retail business, SMEs, corporate business and investment activities and its products and services include corporate lending, retail lending, deposit taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other banking products.

The Bank operates a multichannel offline and online distribution network. As at 31 December 2024, the Bank's offline network was comprised of 21 branches, 95 service offices, 715 ATMs and 13,670 payment terminals across 37 cities and towns within Kazakhstan. The Bank's products and services may also be accessed through its online banking platform and mobile application.

The Bank is a principal member of VISA International and Mastercard International as well as a member of the Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**"). The Bank is also a member of KASE and a trading member (through its affiliate, "ForteFinance" JSC) of AIX.

The Bank's business is well diversified, with the key business segments of retail business, SMEs and corporate banking being well balanced in the Bank's loan portfolio and deposit base, as well as in the structure of its assets and liabilities.

As at 30 September 2024, the Bank's total assets comprised KZT4,100,938 million while the total liabilities comprised KZT3,602,789 million. Shareholder equity was KZT498,149 million. As at 30 September 2024, total net loans to customers amounted to KZT1,674,244 million, with loans to corporate customers, loans to SMEs and loans to individuals (retail customers) accounting for 30.9 per cent., 31.1 per cent. and 38.0 per cent. of total loans to customers, respectively. As at 30 September 2024, current accounts and deposits from customers amounted to KZT2,731,483 million, including corporate accounts and deposits in the amount of KZT1,818,055 million (or 66.6 per cent. of total accounts and deposits) and retail accounts and deposits amounting to KZT913,428 million (or 33.4 per cent. of total accounts and deposits). For the nine months ended 30 September 2024 and 2023, the Bank generated profit of KZT112,622 million and KZT86,573 million, respectively.

As at 31 December 2023, the Bank's total assets amounted to KZT3,253,175 million while the total liabilities amounted to KZT2,823,367 million. Shareholder equity was KZT429,808 million. As at 31 December 2023, total net loans to customers were KZT1,377,500 million, including loans to corporate customers, loans to SMEs and loans to individuals (retail customers) comprising 31.1 per cent., 31.5 per cent. and 37.4 per cent. of total loans to customers, respectively. As at 31 December 2023, current accounts and deposits from customers amounted to KZT2,261,023 million, including corporate accounts and deposits in the amount of KZT1,378,786 million (or 61.0 per cent. of total accounts and deposits) and retail accounts and deposits in the amount of

KZT882,237 million (or 39.0 per cent. of total accounts and deposits). For the years ended 31 December 2023, 2022 and 2021, the Bank generated profit of KZT116,437 million, KZT98,086 million and KZT64,060 million, respectively.

The Bank was incorporated in 1999 under the laws of the Republic of Kazakhstan and operates under banking licence No. 1.2.29/197/36. The registered office of the Bank is located at 8/1 Dostyk Street, Astana Z05P1P0 (010017), Republic of Kazakhstan. The telephone number of the registered office of the Bank is +7 7172 59 99 99. As at the date of this Information Memorandum, the Bank has the following long-term ratings: 'BB' from Fitch and 'Ba2' from Moody's.

Segment Reporting

The Group has five reporting segments, offering a variety of products and services in the financial and banking area. Each segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of these segments are used by the Group's management for operational decision-making and resource allocation and for which discrete financial information is available.

The following is a brief description of transactions of each segment of the Group:

- Corporate business ("**CB**"), consists of issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities);
- Small and medium businesses ("**SME**"), consists of 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**"), consists of extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities, consists of responsible for financing the Group's operations (such as repurchase operations, raising funds from banks and credit institutions, issuance of bonds and subordinated debt), securities transactions, trading in derivative financial instruments and foreign currency transactions; and
- Other, which consists of other transactions with debtors and creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not classified within the other four segments.

For further information about reportable segments please refer to Note 32 in the Annual Financial Statements and Note 22 in the Interim Financial Statements.

Factors Affecting the Results of Operations

Key factors affecting the Group's results of operations during the period under review and expected to continue to affect the Group's results of operations in the future are discussed below.

Macroeconomic Conditions

All of the Group's operations are in Kazakhstan. Accordingly, the Group's results of operations and financial condition are significantly influenced by the overall macroeconomic conditions in Kazakhstan, as well as regional and global macroeconomic conditions. Changes in both the domestic and global macroeconomic environment have in the past resulted in lower liquidity in the banking sector, tighter credit conditions for Kazakhstan companies generally and downward pressure on the tenge (see " *–Currency Fluctuations*"). Global and emerging market uncertainties have continued for the past several years, driven by the impact of COVID-19 pandemic, global monetary policies, high inflation and concerns about the slowdown of global growth rates, global trade tensions and geopolitical risks such as the Russia-Ukraine conflict (see "*–Political Conditions*").

The table below sets forth certain macroeconomic data of Kazakhstan for the years ended 31 December 2023, 2022 and 2021:

	2023	2022	2021
Real GDP growth rate (year-on-year %)	5.1	3.2	4.3
Nominal GDP per capita (U.S.$ thousands)	13.3	11.4	10.4
State budget deficit financing, net domestic borrowing (% of GDP)	(2.4)	2.8	2.5
State budget deficit financing, net external borrowing (% of GDP)	0.2	(0.3)	(0.1)
Total public debt (U.S.$ millions)	63.0	57.5	53.6
Inflation rate at the end of period (%)	9.8	20.3	8.4
Average exchange rate (tenge per U.S. dollar)	456.24	460.85	426.03

Source: the Government of Kazakhstan, NBK, credit rating agencies

For the nine months of 2024, Kazakhstan's real GDP growth rate (year-on-year) was 4.1 per cent., nominal GDP per capita was U.S.$9,200 and average exchange rate was KZT458.69 per U.S.$1.0. The economy of Kazakhstan is significantly affected by inflationary pressures. In 2024, Kazakhstan's inflation was 8.6 per cent and the average exchange rate was KZT469.11 per U.S.$1.0.

Kazakhstan's banking sector is still concentrated, underdeveloped and vulnerable to macroeconomic shocks, such as the devaluation of the tenge. As at 30 September 2024, the banking sector of Kazakhstan consisted of 21 active banks, including 2 wholly or partly state-owned banks. The future stability of the Kazakhstan economy is part dependent upon the continued implementation of economic reform programmes and the effectiveness of economic, financial and monetary measures undertaken by the Government, as well as developments in other economies in the region, particularly the Russian economy.

The Kazakhstan economy may also be influenced by market downturns and economic slowdowns elsewhere in the world. For example, the COVID-19 global pandemic affected investment sentiment and resulted in sporadic volatility in the global capital and financial market, which in turn negatively impacted Kazakhstan's economy in 2020 and 2021. During these years, the Government implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. Regional authorities introduced stringent measures at times of high infection rates, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

A significant decline in economic growth in any of Kazakhstan's trading partners, particularly Russia (whether or not due to the ongoing war in Ukraine or resulting from imposed sanctions) and China, could also have a material adverse effect on Kazakhstan's balance of trade and economic growth. Kazakhstan also depends on neighbouring states to access world markets for a number of its major exports. Should access to these export routes be materially impaired, this could adversely impact Kazakhstan's economy. Events occurring in one geographic or financial market sometimes have so-called "contagion effects", whereby they result in an entire region or lass of investments being disfavoured by international investors.

The outlook for the global economy (and particularly emerging markets) over the near to medium term remains challenging, which in turn might impact prospects for improving economic and financial conditions in Kazakhstan. Any deterioration of the economy affects the Kazakhstan banking sector by the reduction of profits, accumulation of losses and growth in the percentage of non-performing loans on the balance sheets of banks. Customers' and investors' lack of confidence in the banking industry may cause volatility in the funding markets, leading to higher borrowing costs and restricting access to liquidity for banks. A lack of improvement, or deterioration in these conditions, might have a material adverse effect on the Group's business, financial condition and/or results of operations. On the other hand, stronger economic conditions tend to result in increased demand for the Group's banking products and services, including loans, deposits and other products.

Political Conditions

Political conditions in Kazakhstan may also impact Kazakhstan's economy, which may in turn affect the Group's results of operations. In January 2022, there were widespread protests in Kazakhstan in response to the removal of a cap on the price of liquefied petroleum gas and the resultant increase in price for consumers. The protests resulted in disruption and damage throughout Kazakhstan to public and private property and infrastructure with numerous casualties among civilians and security forces. The protests started in the city of Zhanaozen and spread to other cities across Kazakhstan including Almaty, Aktau and Atyrau. As the protests spread throughout various cities in Kazakhstan, President Tokayev imposed a state of emergency and removed the government

and various ministers and officials from office. Following the cessation of the state of emergency and a stabilisation of the situation on 19 January 2022, President Tokayev appointed a new government. These protests led to the increased political risk in Kazakhstan and resulted in the slowdown of the economic growth in 2022.

Kazakhstan's economy is also subject to regional risks and spill-over effects resulting from the conflicts in the region and the world. For example, the Russia-Ukraine conflict that intensified in February 2022, as well as the sanctions imposed on persons in or related to Russia by the United States, United Kingdom, EU and other authorities since 2014 have contributed, and are likely to continue to contribute, to increased inflationary pressures, increased costs, supply and distribution chain disruptions, gas supply shortages, market volatility and economic uncertainty. These conditions, according to the World Bank, had magnified the slowdown in the global economy triggered by the COVID-19 pandemic and warned that the global economy was entering a potentially protracted period of low growth and elevated inflation, particularly as the Russia-Ukraine conflict disrupts economic activity, investment and trade, and as pent-up demand following the pandemic fades and fiscal and monetary policy accommodation is withdrawn or tempered by central banks and governments.

The sanctions imposed on persons in or related to Russia have had an adverse effect on the Russian economy, causing volatility in Russian markets, which in turn has had an adverse effect on Kazakhstan and its economy. These sanctions prompted downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflow from Russia and impairing the ability of Russian issuers to access the international capital markets.

Fluctuations in Interest Rates

Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks (including the NBK), adverse domestic and international economic conditions and political factors. The Group is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. To the extent that part of the Group's assets may reprice more frequently than its liabilities, if interest rates fall, the Group's interest expense will increase more rapidly than its interest income, which could negatively affect interest margins. The Group's interest rate management policies are strengthened by a system of limits and reporting requirements to control and monitor interest rate risk on monthly basis. An increase in interest rates generally increases the Group's funding costs and may also increase interest income in the future, but overall demand for new loans may be reduced and the risk of customer defaults may increase. Increased interest rates may also generally decrease the market value of fixed-rate debt securities held by the Group.

Generally, higher interest rates have had an adverse impact on the Group's cost of funding but a positive impact on interest income since 2021. In order to mitigate the impact of external factors on the Kazakhstan economy, in February 2022, the NBK raised the base rate from 10.25 per cent. to 13.5 per cent., and interventions with respect to the currency market were performed to support the tenge exchange rate against foreign currencies. Following several increases to the base rate in 2022 and 2023, in February 2024, the NBK lowered the base rate to 14.75 per cent. (as compared to 16.75 per cent. in February 2023). In July 2024, the base rate was further reduced to 14.25 per cent., but in November 2024, the NBK increased the base rate to 15.25 per cent. citing updated forecasts and an assessment of inflation risks. The increased base rate since 2022 has increased the Group's cost of funding in tenge. When managing currency risks, the Group aims to utilise a natural hedge by matching the currency of the Group's assets to that of its liabilities.

Currency Fluctuations

The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates (Kazakhstan), and the Group's presentation currency, is the tenge. Monetary assets and liabilities are translated into the Group's functional currency at the official exchange rate of NBK at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at the period-end official exchange rates are recognised in profit or loss. As at 30 September 2024, 81.8 per cent. of the Bank's net loans to customers were denominated in tenge and 18.2 per cent. in U.S. dollars. As at 31 December 2023, 84.7 per cent. of the Bank's net loans to customers were denominated in tenge, 15.2 per cent. in U.S. dollars and 0.1 per cent. in euros.

Fluctuations in exchange rates impact the Group's financial condition and results of operations. The Group maintains open foreign currency positions, which give rise to foreign exchange rate risk. The Group's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets. Any depreciation of the tenge against the U.S. dollar could negatively affect the Group in a number of ways, including, among other things, by increasing the actual cost to the Group of financing its U.S. dollar-based liabilities and by making it more difficult for Kazakhstan borrowers to service their U.S. dollar loans. A significant portion of the Group's exposure to foreign exchange rate risk also depends on numerous factors beyond its control, such as overall market trading activity, fluctuations in interest rate levels and exchange rates, government actions and general market volatility. When managing currency risks, the Group adheres to the principle of maintaining a neutral currency position, which allows it to minimise losses from currency revaluations.

In February 2022, the tenge depreciated significantly against major foreign currencies, including the U.S. Dollar, amid the external geopolitical situation driven by the armed conflict in Ukraine and escalating tensions in the region, with the exchange rate reaching KZT473,54: U.S.$1.00. By the end of 2022 and 2023, the exchange rate stabilised around KZT462.65: U.S.$1.00, KZT454.56: U.S.$1.00. In 2024, the tenge experienced a further notable depreciation against the U.S. dollar due to increased demand for the U.S. dollar, global market volatility and the strengthening of the U.S. dollar. By the end of 2024, the exchange rate stabilised around KZT523.54: U.S.$1.00, respectively.

As at 30 September 2024 and 31 December 2023, 2022 and 2021, the Bank's open currency position was KZT11,121 million (short), KZT20,573 million (long), KZT11,861 million (long) and KZT4,653 million (short), respectively, which was 2.2 per cent., 4.8 per cent., 3.5 per cent. and 1.7 per cent. of the Bank's equity, respectively.

Oil prices have also fluctuated significantly since the commencement of Russia's armed conflict in Ukraine in February 2022. The fluctuations in oil price and other commodities affect the value of the tenge. If oil prices fall sharply, the value of the tenge also falls. Accordingly, the Group's credit portfolio is indirectly exposed to the fluctuation in oil prices, especially if borrowers have loans denominated in U.S. Dollars who might be more greatly affected by downward swings in the tenge and may ask to restructure their foreign currency denominated loans.

Changes in the Size and Composition of the Loan Portfolio

Increases or decreases in the overall size of the Bank's loan portfolio and in the mix of its portfolio significantly impact the Bank's total interest income and net interest margin. As at 30 September 2024, the Bank's total net loans to customers amounted to KZT1,674,244 million, representing a 21.5 per cent. increase from KZT1,377,500 million as at 31 December 2023. As at 31 December 2023, total loans to customers increased by KZT203,958 million, or 17.4 per cent., from KZT1,173,542 million as at 31 December 2022. As at 31 December 2022, total loans to customers increased by KZT364,594 million, or 45.1 per cent. from KZT808,948 million as at 31 December 2021.

The size of the Bank's loan portfolio in tenge has continued to increase as a result of growth in lending activity, in particular in loans to retail customers, corporate loans for clients in the chemical and wholesale trading industries and general development of the banking sector in Kazakhstan. The Bank's strategy has focused on increasing the Bank's market share across all business segments (see "*Business– Strategy*"). For example, during the period under review, net loans to individuals in the loan portfolio of the Bank has increased by KZT302,337 million, or 90.6 per cent., from KZT333,814 million as at 31 December 2021 to KZT636,151 million as at 30 September 2024, loans to SMEs have increased by KZT250,904 million, or 92.7 per cent., from KZT270,656 million as at 31 December 2021 to KZT521,560 million at 30 September 2024, and corporate loans have increased by KZT327,781 million, or 173.7 per cent., from KZT188,752 million as at 31 December 2021 to KZT516,533 million as at 30 September 2024.

The Group's ten largest groups of interrelated borrowers in the loan portfolio accounted for KZT417,599 million (or 23.73 per cent. of the gross loan portfolio) as at 30 September 2024, and KZT321,700 million (or 21.92 per cent. of the gross loan portfolio) as at 31 December 2023. The customer concentration among the Group's business segments has remained relatively stable. As at 30 September 2024, corporate business loans, loans to

SMEs and loans to retail customers accounted for 30.9 per cent., 31.1 per cent, and 38.0 per cent., respectively, of total net loans.

Quality of Loan Portfolio, Allowance for Expected Credit Losses and Provision for Credit Losses on Loans to Customers

The Bank's NPL ratio was 3.5 per cent., 4.7 per cent., 5.9 per cent. and 8.5 per cent. as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. NPLs in the Bank's corporate, SMEs and retail loan portfolios accounted for 0.0 per cent., 0.5 per cent. and 3.1 per cent., respectively, of corporate, SME and retail loan portfolios as at 30 September 2024. The decrease in the share of NPLs in recent years was due to the growth of loan portfolio, conservative scoring model and improved loan collateral service.

As at 30 September 2024, the Bank's allowance for expected credit losses was KZT85,613 million, a 5.2 per cent. decrease as compared to KZT90,263 million as at 31 December 2023, reflecting improvements in the quality of overdue credit portfolio categories, primarily in unsecured retail loans, as well as the write-off of loans to off-balance-sheet accounts without relinquishing the right of claim (due to the moratorium on the sale of NPLs to collection agencies until 2026). The Bank's allowance for expected credit losses increased by KZT25,197 million, or 38.7 per cent. from KZT65,066 million as at 31 December 2022 to KZT90,263 million as at 31 December 2023. As at 31 December 2022, the Bank's allowance for expected credit losses grew by KZT26,875 million, or 70.4 per cent., from KZT38,191 million as at 31 December 2021 which was primarily attributable to the changes in the Bank's expected credit losses policies.

The Bank's allowance for expected credit losses has been increasing in recent years as its unsecured retail loan portfolio increases. The allowances for expected credit losses on Group's ten largest groups of interrelated borrowers of the Group loan portfolio (see "*—Changes in the Size and Composition of the Loan Portfolio*") were KZT1,978 million as at 30 September 2024 and KZT1,373 million as at 31 December 2023. The Bank's allowance for expected credit loss is classified by three stages. See Note 14 to the Annual Financial Statements and Note 12 to the Interim Financial Statements.

Provision for credit losses on loans to customers increased by KZT2,145 million, or 6.9 per cent., to KZT33,384 million for the nine-month period ended 30 September 2024 as compared to KZT31,239 million for the nine-month period ended 30 September 2023. The Bank recorded provision for credit losses on loans to customers of KZT48,692 million as at 31 December 2023, a 32.7 per cent. increase as compared to the provision of KZT36,697 million as at 31 December 2022, which in turn represented an increase of 205.5 per cent. as compared to a provision of KZT12,014 million as at 31 December 2021. The changes in the Bank's provision in 2023 and 2022 were primarily due to the growth of unsecured retail loans and amendments to the provisioning policy.

Results of Operations for the Nine Months Ended 30 September 2024 and 2023

For the nine-month period ended 30 September 2024, the Group generated profit of KZT112,622 million, an increase of KZT26,049 million, or 30.1 per cent., from KZT86,573 million for the nine-month period ended 30 September 2023.

The following table sets forth the components of the Group's profit for the periods indicated.

	Nine months ended 30 September	
	2024	**2023**
	million tenge (unaudited)	
Interest income calculated using the effective interest rate	379,676	264,012
Other interest income	4,017	2,400
Interest expense	(194,520)	(128,451)
Net interest income	**189,173**	**137,961**
Fee and commission income	26,147	26,675
Fee and commission expense	(9,941)	(9,906)
Net gain on financial instruments at fair value through profit or loss	5,280	12
Net gain / (loss) on derecognition of investment securities at fair value through other comprehensive income	231	(36)
Net foreign exchange gain	16,924	23,713
Dividends received	496	302
Other income	2,675	6,182

Non-interest income	**41,812**	**46,942**
Credit loss expenses	(34,326)	(32,770)
Net loss on derecognition of financial assets measured at amortised cost	(766)	(3,358)
Net loss on modification of a liability that results in derecognition	(3,593)	-
General and administrative expenses	(63,444)	(58,547)
Other expenses	(5,522)	(4,200)
Non-interest expenses	**(107,651)**	**(98,875)**
Profit before corporate income tax	**123,334**	**86,028**
Corporate income tax (expense) / benefit	(10,712)	545
Profit for the period	**112,622**	**86,573**

Net Interest Income

Net interest income has historically been the largest component of the Bank's operating income. For the nine-month period ended 30 September 2024, net interest income amounted to KZT189,173 million, an increase of KZT51,212 million, or 37.1 per cent., from KZT137,961 million for the nine-month period ended 30 September 2023 as a result of an increase in interest income calculated using effective interest rate and other interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial assets or liabilities. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest Income Calculated Using Effective Interest Rate

The Group's interest income calculated using effective interest income for the nine-month period ended 30 September 2024 increased by KZT115,644 million, or 43.8 per cent., from KZT264,012 million for the nine-month period ended 30 September 2023.

The following table sets forth the principal components of the Group's interest income calculated using effective interest income for the periods indicated.

	Nine months ended 30 September			
	2024		**2023**	
	million tenge	*% of total*	*million tenge*	*% of total*
	(unaudited)			
Interest income calculated using the effective interest rate				
Loans to customers	228,645	60.2%	174,438	66.1%
Debt investment securities at FVOCI	75,753	20.0%	53,585	20.2%
Amounts due from credit institutions	59,796	15.7%	16,602	6.3%
Investment securities measured at amortised cost	12,847	3.4%	12,902	4.9%
Amounts receivable under reverse repurchase agreements	1,736	0.5%	5,417	2.1%
Other financial assets	899	0.2%	1,068	0.4%
Total interest income calculated using the effective interest rate	**379,676**	**100.0%**	**264,012**	**100.0%**

The Group's interest income calculated using effective interest rate rose primarily due to (i) a 31.1 per cent. increase in interest income on loans to customers, reflecting higher interest rates and a larger net loan portfolio and (ii) a 260.2 per cent. increase in interest income from credit institutions, driven by the placement of excess liquidity in the Kazakhstan interbank market.

Other Interest Income

The Group generates other interest income from finance lease receivables, which increased by KZT1,617 million, or 67.4 per cent., to KZT4,017 million for the nine-month period ended 30 September 2024 from KZT2,400 million for the nine-month period ended 30 September 2023. This increase was primarily due to the growth of the Group's financial leasing portfolio.

Interest Expense

For the nine months ended 30 September 2024, the Group's interest expense increased by KZT66,069 million, or 51.4 per cent., to KZT194,520 million from KZT128,451 million for the nine months ended 30 September 2023.

The following table sets forth the principal components of the Group's interest expense for the periods indicated.

	Nine-month periods ended 30 September			
	2024		2023	
	million tenge	*% of total*	*million tenge*	*% of total*
	(unaudited)			
Interest expense				
Current account and deposits of customers	(133 644)	68.8%	(91,010)	70.8%
Amounts payable under repurchase agreements	(31 500)	16.2%	(10,873)	8.5%
Debt securities issued	(24 733)	12.7%	(23,085)	18.0%
Amounts due to other banks and other credit institutions	(3,791)	1.9%	(2,631)	2.0%
Subordinated debt	(852)	0.4%	(852)	0.7%
Total interest expense	**(194,520)**	**100.0%**	**(128,451)**	**100.0%**

The overall increase in the Group's interest expense for the nine-month period ended 30 September 2024 was mainly due to higher interest costs on current accounts, deposits of customers and balances payable under repurchase agreements.

In particular, interest expense on current accounts and customer deposits increased by KZT42,634 million, or 46.8 per cent., to KZT133,644 million for the nine-month period ended 30 September 2024 as compared to KZT91,010 million for the nine-month period ended 30 September 2023 which was the reflection of an increase in customer accounts as well as higher interest rates paid on such accounts.

Interest expense on amounts payable under repurchase agreements increased to KZT31,500 million by KZT20,627 million for the nine-month period ended 30 September 2024 from KZT10,873 million for the nine-month period ended 30 September 2023, as a result of increased trading volumes and higher interest rates.

Non-Interest Income

For the nine-month period ended 30 September 2024, non-interest income decreased by KZT5,130 million, or 10.9 per cent., from KZT46,942 million to KZT41,812 million, for the nine-month period ended 30 September 2023.

For the none-months period ended 30 September 2024 and 2023, the largest sources of the Group's non-interest income are its net fee and commission income, net gain on financial instruments at fair value through profit or loss and net foreign exchange gain.

Net Fee and Commission Income

The Group's non-interest income comprises fee and commission income offset by fee and commission expense. Fee and commission income primarily comprises commissions generated by card operations, settlement transactions, international money transfers, guarantees issued and other operations, while fee and commission expense primarily comprises expenses related to card account management, nostro accounts and settlement operations.

For the nine-month period ended 30 September 2024, the Group has generated fee and commission income of KZT26,147 million, a marginal reduction of KZT528 million, or 2.0 per cent., as compared to fee and commission income of KZT26,675 million for the nine-month period ended 30 September 2023. Fee and commission expenses remained largely flat between the two periods.

Net Gain on Financial Instruments at Fair Value Through Profit or Loss

Net gain on financial instruments at fair value through profit or loss increased by KZT5,268 million to KZT5,280 million for the nine-month period ended 30 September 2024 as compared to KZT12 million for the nine-month period ended 30 September 2023. The increase was a result of a net gain on derivative financial instruments in connection with enhanced performance in derivative operations, supported by favourable market conditions, higher transaction volumes and efficient management.

Net Foreign Exchange Gain

Net foreign exchange gain decreased by KZT6,789 million, or 28.6 per cent., to KZT16,924 million for the nine months ended 30 September 2024 as compared to KZT23,713 million for the nine months ended 30 September 2023, reflecting lower exchange rate fluctuations and reduced foreign currency transactions during the period.

Non-Interest Expenses

Non-interest expenses increased by KZT8,776 million, or 8.9 per cent., to KZT107,651 million for the nine-month period ended 30 September 2024 from KZT98,875 million for the nine-month period ended 30 September 2023. This increase primarily resulted from increases in credit loss expenses and general and administrative expenses.

Credit Loss Expenses

Credit loss expenses comprised 31.9 per cent. and 33.1 per cent. of the non-interest expenses for the nine-month periods ended 30 September 2024 and 2023, respectively. Credit loss expenses increased to KZT34,326 million for the nine months ended 30 September 2024 from KZT32,770 million for the nine months ended 30 September 2023. This increase primarily resulted from an increase in credit loss expense relating to loans to customers, which amounted to KZT33,384 million for the nine-month period ended 30 September 2024 compared to KZT31,239 million for the nine-month period ended 30 September 2023, reflecting the Bank's ongoing refinement of expected credit loss models, including the 2023 transition to a new LGD model for retail loans, which incorporated updates to liquidity and realisation period coefficients and a revised recovery period for loans overdue by more than 90 days.

General and Administrative Expenses

The main components of the Bank's administrative and other operating expenses are salary and related taxes, depreciation and amortisation, telecommunication and information services, charity and sponsorship expenses, other taxes, advertising and marketing, maintenance and security and other low value items and other operating expenses. General and administrative increased by KZT4,897 million, or 8.4 per cent., to KZT63,444 million for the nine-month period ended 30 September 2024 as compared to KZT58,547 million for the nine-month period ended 30 September 2023, which was primarily due to an increase in salary and related taxes.

Corporate Income Tax Expense or Benefits

For the nine-month period ended 30 September 2024, the Group recorded corporate income tax expense of KZT10,712 million as compared to income tax benefit of KZT545 million for the nine-month period ended 30 September 2023. The increase in income tax expense was primarily due to an increase in non-deductible expenses associated with full utilisation of tax losses carried forward in 2023.

Profit for the Period

As a result of the factors described above, the Group generated net profit for the nine months ended 30 September 2024 in the amount of KZT112,622 million, which represented an increase of KZT26,049 million, or 30.1 per cent., as compared to the profit of KZT86,573 million for the nine months ended 30 September 2023.

Reportable Segments

The following table sets forth segment information for the profit or loss the Group's reportable segments for the periods indicated.

	For the nine-month period ended 30 September 2024 (million tenge, unaudited)						
	CB	**SME**	**RB**	**Investing activities**	**Other**	**Elimination**	**Total**
Interest income	47,689	63,490	116,284	149,531	6,699	–	383,693
Transfer income	62,773	59,714	71,569	57,843	6,483	(258,382)	–
Interest expense	(50,485)	(31,588)	(54,340)	(56,760)	(1,347)	–	(194,520)
Transfer expense	(31,594)	(38,977)	(49,730)	(149,745)	(340)	270,386	–
Net interest income	**28,383**	**52,639**	**83,783**	**869**	**11,495**	**12,004**	**189,173**
Fee and commission income	1,789	15,788	8,354	118	98	–	26,147
Fee and commission expense	(515)	(4,021)	(5,141)	(252)	(12)	–	(9,941)
Net gains from financial instruments at fair value through profit or loss	–	–	–	5,280	–	–	5,280
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	231	–	–	231
Net gains/ (loss) on foreign currencies	6,683	11,502	4,388	(5,770)	121	–	16,924
Dividends received	-	-	-	496	-		496
Other income	25	1,049	39	28	1,534	–	2,675
Non-interest income	**7,982**	**24,318**	**7,640**	**131**	**1,741**	**–**	**41,812**
Reversal of allowance for expected credit losses / credit loss expenses	811	(1,063)	(32,261)	(625)	(1,188)	-	(34,326)
Net loss on derecognition of financial assets measured at amortised cost	-	-	(321)	-	(445)	-	(766)
Net loss on modification liabilities that does not result in derecognition	-	-	(3,593)	-	-		(3,593)
General and administrative expenses	(3,492)	(17,837)	(30,532)	(1,165)	(10,418)	–	(63,444)
Other expenses	(24)	(817)	(2,161)	(123)	(2,397)	–	(5,522)
Non-interest expenses	**(2,705)**	**(19,717)**	**(68,868)**	**(1,913)**	**(14,448)**	**–**	**(107,651)**
Other transfer income and expenses	**458**	**(2,172)**	**(511)**	**26,636**	**(12,407)**	**(12,004)**	**–**
Profit/(loss) before corporate income tax	**34,118**	**55,068**	**22,044**	**25,723**	**(13,619)**	**–**	**123,334**
Corporate income tax expense	(2,142)	(3,457)	(1,384)	(1,615)	(2,114)	–	(10,712)
Profit/(loss) for the period	**31,976**	**51,611**	**20,660**	**24,108**	**(15,733)**	**–**	**112,622**

	For the nine-month period ended 30 September 2023 (million tenge, unaudited)						
	CB	**SME**	**RB**	**Investing activities**	**Other**	**Elimination**	**Total**
Interest income	32,244	45,639	94,745	87,873	5,911	–	266,412
Transfer income	50,238	46,196	51,726	32,390	12,202	(192,752)	–
Interest expense	(37,316)	(18,810)	(36,594)	(34,592)	(1,139)	–	(128,451)
Transfer expense	(23,125)	(29,068)	(38,022)	(87,665)	(1,171)	179,051	–
Net interest income	**22,041**	**43,957**	**71,855**	**(1,994)**	**15,803**	**(13,701)**	**137,961**
Fee and commission income	1,915	14,987	9,616	24	133	–	26,675
Fee and commission expense	(813)	(4,341)	(4,621)	(121)	(10)	–	(9,906)
Net gains from financial instruments at fair value through profit or loss	–	–	–	12	–	–	12
Net loss on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(36)	–	–	(36)
Net gains on foreign currencies	6,076	12,771	3,314	836	716	–	23,713
Dividends received	-	-	-	302	-		302
Other income	(447)	465	(539)	1,548	5,155	–	6,182
Non-interest income	**6,731**	**23,882**	**7,770**	**2,565**	**5,994**	**–**	**46,942**
Credit loss expenses	(744)	2,394	(31,050)	(294)	(3,076)	-	(32,770)
Net loss on derecognition of financial assets measured at amortised cost	-	-	(2,047)	-	(1,311)	-	(3,358)
General and administrative expenses	(3,379)	(15,114)	(25,350)	(1,821)	(12,883)	–	(58,547)
Other expenses	(11)	(202)	(2,746)	(45)	(1,196)	–	(4,200)
Non-interest expenses	**(4,134)**	**(12,922)**	**(61,193)**	**(2,160)**	**(18,466)**	**–**	**(98,875)**
Other transfer income and expenses	**339**	**(1,847)**	**(637)**	**2,294**	**(13,850)**	**13,701**	**–**
Profit/(loss) before corporate income tax	**24,977**	**53,070**	**17,795**	**705**	**(10,519)**	**–**	**86,028**
Corporate income tax benefit	141	300	100	4	-	–	545
Profit/(loss) for the period	**25,118**	**53,370**	**17,895**	**709**	**(10,519)**	**–**	**86,573**

Results of Operations for the Years Ended 31 December 2023, 2022 and 2021

For the year ended 31 December 2023, the Group's profit for the period increased by KZT18,351 million, or 18.7 per cent., to KZT116,437 million from KZT98,086 million for the year ended 31 December 2022, which in turn was an increase of KZT34,026 million, or 53.1 per cent., from KZT64,060 million for the year ended 31 December 2021 (resulting in the overall increase in the Group's profit by 81.8 per cent. between 31 December 2021 and 31 December 2023.

The following table sets forth the components of the Group's consolidated statement of profit or loss for the periods indicated.

	Year ended 31 December		
	2023	2022	2021
	million tenge		
		(audited)	
Interest income calculated using the effective interest rate	370,682	258,780	191,897
Other interest income	3,424	1,961	1,147
Interest expense	(180,758)	(132,108)	(97,109)
Net interest income	**193,348**	**128,633**	**95,935**
Fee and commission income	36,306	36,210	37,293
Fee and commission expense	(13,134)	(12,242)	(14,809)
Net (loss) / gain on financial instruments at fair value through profit or loss	(958)	2,011	(1,154)
Net (loss) / gain on derecognition of investment securities at fair value through other comprehensive income	(32)	311	(195)
Net (loss) / gain on derecognition of financial assets measured at amortised cost	(4,787)	(4,477)	4,079
Net gain from foreign currencies	31,909	49,862	11,025
Other income	8,749	3,744	4,123
Non-interest income	**58,053**	**75,419**	**40,362**
Credit loss expense	(49,725)	(37,650)	(9,883)
General and administrative expenses	(79,106)	(62,205)	(51,282)
Other expenses	(6,109)	(5,484)	(8,029)
Non-interest expense	**(134,940)**	**(105,339)**	**(69,194)**
Profit before corporate income tax	**116,461**	**98,713**	**67,103**
Corporate income tax expense	(24)	(627)	(3,043)
Profit for the year	**116,437**	**98,086**	**64,060**

Net Interest Income

For the year ended 31 December 2023, net interest income amounted to KZT193,348 million, an increase of KZT64,715 million, or 50.3 per cent., from KZT128,633 million for the year ended 31 December 2022, as a result of increases in interest income calculated using the effective interest rate and other interest income, partly offset by an increase in interest expense.

For the year ended 31 December 2022, net interest income was KZT128,633 million, an increase of KZT32,698 million, or 34.1 per cent., from KZT95,935 million for the year ended 31 December 2021, as a result of increases in interest income calculated using the effective interest rate and other interest income, partly offset by an increase in interest expense.

Interest Income Calculated Using the Effective Interest Rate

For the year ended 31 December 2023, the Bank's interest income calculated using the effective interest rate increased by KZT111,902 million, or 43.2 per cent., to KZT370,682 million from KZT258,780 million for the year ended 31 December 2022, which in turn represented an increase of KZT66,883 million, or 34.9 per cent., from KZT191,897 million for the year ended 31 December 2021.

The following table sets forth the principal components of the Group's interest income for the periods indicated.

	Year ended 31 December					
	2023		2022		2021	
	million tenge	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*
	(audited)					
Interest income calculated using the effective interest rate						
Loans to customers	245,240	66.16%	163,800	63.29%	117,444	61.20%
Debt investment securities at FVOCI	72,617	19.59%	60,937	23.55%	46,596	24.28%
Amounts due from credit institutions and cash equivalents	24,880	6.71%	8,634	3.34%	6,145	3.20%
Investment securities measured at amortised cost	17,198	4.64%	17,882	6.91%	19,054	9.93%
Amounts receivable under reverse repurchase agreements	9,442	2.55%	6,825	2.64%	2,658	1.39%
Other financial assets	1,305	0.35%	702	0.27%	-	0,00%
Total interest income calculated using the effective interest method	**370,682**	**100.00%**	**258,780**	**100.00%**	**191,897**	**100.00%**

The increases in the Group's interest income calculated using the effective interest rate during the periods under review resulted primarily from increases in interest income from loans to customers, debt investment securities at FVOCI and amounts due from credit institutions and cash equivalents in the respective periods.

Interest income from loans to customers increased by KZT81,440 million, or 49.7 per cent., to KZT245,240 million for the year ended 31 December 2023 from KZT163,800 million for the year ended 31 December 2022, which in turn represented an increase of KZT46,356 million, or 39.5 per cent., from KZT117,444 million for the year ended 31 December 2021. These increases were mainly driven by the overall growth in the Bank's loan portfolio for the respective periods.

Interest income from debt securities at FVOCI increased by KZT11,680 million, or 19.2 per cent., to KZT72,617 million for the year ended 31 December 2023 from KZT60,937 million for the year ended 31 December 2022, which in turn represented an increase of KZT14,341 million, or 30.8 per cent., from KZT46,596 million for the year ended 31 December 2021. These increases were due to the growth in the volume of trading and higher interest rate environment for the respective periods. Debt securities at FVOCI consist primarily Government bonds, corporate bonds and bonds of banks.

Interest income from amounts due from credit institutions and cash equivalents increased by KZT16,246 million, or 188.2 per cent., to KZT24,880 million for the year ended 31 December 2023 from KZT8,634 million for the year ended 31 December 2022, which in turn represented an increase of KZT2,489 million, or 40.5 per cent., from KZT6,145 million for the year ended 31 December 2021. The increases were due to the placement of excess liquidity by the Bank in the interbank market.

Interest Expense

For the year ended 31 December 2023, the Group's interest expense increased by KZT48,650 million, or 36.8 per cent., to KZT180,758 million from KZT132,108 million for the year ended 31 December 2022, which in turn was an increase of KZT34,999 million, or 36 per cent., from KZT97,109 million for the year ended 31 December 2021.

The following table sets forth the principal components of the Group's interest expense for the years indicated.

	Year ended 31 December					
	2023		2022		2021	
	million tenge	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*
	(audited)					
Interest expense						
Current account and deposits of customers	(129,152)	71.5%	(81,700)	61.8%	(56,347)	58.0%
Amounts payable under repurchase agreements	(14,114)	7.8%	(13,351)	10.1%	(2,473)	2.5%
Debt securities issued	(31,157)	17.2%	(30,382)	23.0%	(29,699)	30.6%
Amounts due to other banks and other credit institutions	(5,199)	2.9%	(5,219)	4.0%	(6,974)	7.2%
Subordinated debt	(1,136)	0.6%	(1,456)	1.1%	(1,616)	1.7%
Total interest expense	**(180,758)**	**100.0%**	**(132,108)**	**100.0%**	**(97,109)**	**100.0%**

The overall increase in the Group's interest expense during the periods under review mainly resulted from increases in interest expense on current accounts and deposits of customers.

Interest expense on customer accounts increased by KZT47,452 million, or 58.1 per cent., to KZT129,152 million for the year ended 31 December 2023 as compared to KZT81,700 million for the year ended 31 December 2022, which in turn was an increase by KZT25,353 million, or 45.0 per cent., as compared to KZT56,347 million for the year ended 31 December 2021. These increases reflected higher interest rates on customer deposits as well as an overall growth in the volume of the deposits as a result of the expansion of the Group's customer base during the respective periods.

Non-Interest Income

Non-interest income was KZT58,053 million for year ended 31 December 2023, a decrease of KZT17,366 million, or 23.0 per cent., as compared to the KZT75,419 million for the year ended 31 December 2022. This decrease was primarily due to a decrease in net gains from foreign currencies.

Non-interest income was KZT75,419 million for year ended 31 December 2022, an increase of KZT35,057 million, or 86.9 per cent. compared to the KZT40,362 million for the year ended 31 December 2021. This increase was primarily due to a significant increase in net gains from foreign currencies.

For the years ended 31 December 2023, 2022 and 2021, non-interest income primarily comprise net fee and commission income and net gain from foreign currencies.

Net Fee and Commission Income

The Bank focused on increasing net interest income more than net fee and commission income during 2023, 2022 and 2021.

For the year ended 31 December 2023, the Group's fee and commission income was KZT36,306 million, a slight increase of KZT96 million, or 0.3 per cent., from KZT36,210 million for the year ended 31 December 2022. This increase was offset by an increase in fee and commission expense of KZT892 million, or 7.3 per cent., to KZT13,134 million for the year ended 31 December 2023 from KZT12,242 million for the year ended 31 December 2022.

For the year ended 31 December 2022, the Group's fee and commission income was KZT36,210 million, a slight decrease of KZT1,083 million, or 2.9 per cent., from KZT37,293 million for the year ended 31 December 2021. This decrease was offset by an increase in fee and commission expense of KZT2,567 million, or 17.3 per cent., to KZT12,242 million for the year ended 31 December 2022 from KZT14,809 million for the year ended 31 December 2021.

Net Gain from Foreign Currencies

Net gain from foreign currencies decreased by KZT17,953 million, or 36.0 per cent., to KZT31,909 million for the year ended 31 December 2023 from KZT49,862 million for the year ended 31 December 2022. This decrease reflected a decrease in gains from dealing transactions, resulting from currency fluctuations.

Net gains from foreign currencies increased by KZT38,837 million, or 352.3 per cent., to KZT49,862 million for the year ended 31 December 2022 from KZT11,025 million for the year ended 31 December 2021. This increase reflected an increase in gains from dealing transactions, resulting from currency fluctuations.

Non-Interest Expenses

The Group's non-interest expenses increased by KZT29,601 million, or 28.1 per cent., to KZT134,940 million for the years ended 31 December 2023 from KZT105,339 million for the years ended 31 December 2022. The increase was primarily due to increases in credit loss expenses and general administrative expenses.

The Group's non-interest expenses increased by KZT36,145 million, or 52.2 per cent., KZT105,339 million for the years ended 31 December 2022 from KZT69,194 million for the years ended 31 December 2021. The increase was primarily due to increases in credit loss expenses and general administrative expenses.

Credit Loss Expenses

Credit loss expenses comprised 36.8 per cent., 35.7 per cent. and 14.3 per cent. of the non-interest expenses for the year ended 31 December 2023, 2022 and 2021, respectively.

For the year ended 31 December 2023, credit loss expenses increased by KZT12,075 million, or 32.1 per cent., to KZT49,725 million from KZT37,650 million for the year ended 31 December 2022, which in turn represented an increase of KZT27,767 million, or 281.0 per cent. from KZT9,883 million for the year ended 31 December 2021. These increases primarily reflect increases in credit loss expenses relating to loans to customers in the respective periods.

Credit loss expenses primarily consist of credit loss expenses relating to loans to customers, which accounted for 97.9 per cent., 97.5 per cent. and 121.6 per cent. of the total credit loss expenses for the year ended 31 December 2023, 2022 and 2021, respectively. Credit loss expenses relating to loans to customers increased by KZT11,995 million or 32.7 per cent. to KZT 48,692 million for year ended 31 December 2023 from KZT36,697 million for the year ended 31 December 2022, which in turn represented an increase of KZT24,683 million or 205.5 per cent. from KZT12,014 million for the year ended 31 December 2021. These increases were primarily due to the Bank's ongoing refinement of expected credit loss models, including the 2023 transition to a new LGD model for retail loans, which incorporated updates to liquidity and realisation period coefficients and a revised recovery period for loans overdue by more than 90 days.

General and Administrative Expenses

The main components of the Group's administrative and other operating expenses are salary and related taxes, depreciation and amortisation, charity and sponsorship, repair and maintenance, tax other than corporate income tax, advertising and marketing and other low value items and other operating expenses.

General and administrative expenses increased by KZT16,901 million, or 27.2 per cent., to KZT79,106 million for the year ended 31 December 2023 as compared to KZT62,205 million for the year ended 31 December 2022, which, in turn, represented an increase of KZT10,923 million, or 21.3 per cent. as compared to the KZT51,282 million for the year ended 31 December 2021. For each period, the increase was primarily driven by an increase in salary and related taxes.

The increase in general and administrative expenses in year ended 31 December 2023 compared to the year ended 31 December 2022 was also driven by a significant increase in expenses relating to charity and sponsorship of KZT5,813 million tenge or 620.4 per cent. to KZT6,750 million from KZT937 million for the year ended 31 December 2022 which represented expenses related to the construction of a school in the Almaty Region.

Corporate Income Tax Expense

For the year ended 31 December 2023, the Group's corporate income tax expense was KZT24 million, a decrease of KZT603 million or 96.2 per cent. from KZT627 million for the year ended 31 December 2022, reflecting a profit in deferred tax arising from changes in unrecognised deferred tax assets.

For the year ended 31 December 2022, the Group's corporate income tax expense was KZT627 million, a decrease of KZT2,416 million or 79.4 per cent. from KZT3,043 million for the year ended 31 December 2021, reflecting a profit in deferred tax arising from changes in unrecognised deferred tax assets.

Profit for the Period

As a result of the factors described above, the Group generated profit for the year in the amount of KZT116,437 million, KZT98,086 million and KZT64,060 million for the years ended 31 December 2023, 2022 and 2021, respectively.

Reportable Segments

The following table sets forth segment information for the profit or loss the Group's reportable segments for the periods.

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

	For the year ended 31 December 2022						
	million tenge						
	CB	**SME**	**RB**	**Investing activities**	**Other**	**Elimination**	**Total**
Interest income	25,608	43,350	92,556	93,720	5,507	–	260,741
Transfer income	55,604	43,475	44,413	40,240	17,383	(201,115)	–
Interest expense	(39,311)	(16,916)	(29,488)	(36,404)	(9,989)	–	(132,108)
Transfer expense	(18,813)	(29,470)	(39,622)	(103,739)	(2,262)	193,906	–
Net interest income	**23,088**	**40,439**	**67,859**	**(6,183)**	**10,639**	**(7,209)**	**128,633**
Fee and commission income	2,660	20,101	13,266	56	127	–	36,210
Fee and commission expense	(1,310)	(5,707)	(4,964)	(261)	–	–	(12,242)
Net gains on financial instruments at fair value through profit or loss	–	–	–	2,011	–	–	2,011
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	311	–	–	311
Net loss on derecognition of financial assets measured at amortised cost	–	–	(4,334)	–	(143)	–	(4,477)
Net gains from foreign currencies	12,318	21,364	6,170	9,597	413	–	49,862
Other income	142	480	641	89	2,392	–	3,744
Non-interest income	**13,810**	**36,238**	**10,779**	**11,803**	**2,789**	**–**	**75,419**
Credit loss expenses	(1,380)	(11,033)	(21,799)	(302)	(3,136)	–	(37,650)
General and administrative expenses	(3,864)	(17,098)	(30,835)	(1,346)	(9,062)	–	(62,205)
Other expenses	(300)	(239)	(3,692)	(99)	(1,154)	–	(5,484)
Non-interest expenses	**(5,544)**	**(28,370)**	**(56,326)**	**(1,747)**	**(13,352)**	**–**	**(105,339)**
Other transfer income and expenditure	(3,279)	(2,928)	(3,554)	15,239	(12,687)	7,209	–
Profit/(loss) before corporate income tax expense	**28,075**	**45,379**	**18,758**	**19,112**	**(12,611)**	**–**	**98,713**
Corporate income tax expense	(162)	(254)	(104)	(107)	–	–	(627)
Profit/(loss) for the year	**27,913**	**45,125**	**18,654**	**19,005**	**(12,611)**	**–**	**98,086**

	For the year ended 31 December 2021						
	million tenge						
	CB	**SME**	**RB**	**Investing activities**	**Other**	**Elimination**	**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 expense	(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 on transactions with financial instruments at fair value through profit or loss	-	-	-	(1,154)	-	-	(1,154)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(195)	–	–	(195)
Net gains /(losses) from foreign currencies	3,663	5,547	2,710	(2,083)	1,188	–	11,025
Net gain/(loss) on derecognition of financial assets measured at amortised cost	–	–	(2,910)	–	6,989	–	4,079
Other income	(158)	644	221	3	3,413	–	4,123
Non-interest income	**4,701**	**16,967**	**10,760**	**(3,634)**	**11,568**	**–**	**40,362**
Credit loss expenses	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 expenses	**(1,092)**	**(14,449)**	**(42,201)**	**436**	**(11,888)**	**–**	**(69,194)**
Other transfer income and expenditure	**(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 expense	(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**

For additional information please refer to the Note 32 of the Annual Financial Statements.

Financial Position

The following discussion of the Group's assets and liabilities should be read in conjunction with "Risk Management" and, in particular, with the data provided under "Risk Management – Credit Risk", "Risk Management – Market Risk" and "Risk Management – Liquidity Risk".

Total Assets

As at 30 September 2024, the Group had total assets of KZT4,100,938 million as compared to KZT3,253,175 million as at 31 December 2023, KZT2,789,386 million as at 31 December 2022 and KZT2,425,789 million as at 31 December 2021.

The following table sets forth the principal components of the Group's total assets as at the dates set forth below.

	As at 30 September	As at 31 December		
	2024	2023	2022	2021
		million tenge		
	(unaudited)		(audited)	
Cash and cash equivalents	856,458	704,042	457,962	432,948
Amounts due from credit institutions	47,215	101,430	31,046	46,990
Securities measured at fair value through profit or loss	2,868	3,016	2,763	2,970
Loans to customers	1,674,244	1,377,500	1,173,542	808,948
Investment securities:				
Held by the Group	984,100	789,486	922,446	960,047
Pledged under sale and repurchase agreements	426,168	164,168	68,128	25,062
Property and equipment	54,617	56,665	59,020	62,637
Intangible assets	15,385	13,867	14,550	14,071
Other assets	39,883	43,001	59,929	72,116
Total assets	**4,100,938**	**3,253,175**	**2,789,386**	**2,425,789**

The increase in total assets by KZT847,763 million, or 26.1 per cent., as at 30 September 2024 as compared to 31 December 2023, was mainly driven by an increase in (a) cash and cash equivalents, (b) loans to customers and (c) investment securities. Cash and cash equivalents increased by KZT152,416 million, or 21.6 per cent., as at 30 September 2024 as compared to 31 December 2023, which reflected the overall growth of the Bank. Loans to customers increased by KZT296,744 million, or 21.5 per cent., as at 30 September 2024 as compared to 31 December 2023, which reflected the overall growth of the Bank's loan portfolio. See "—*Loan Portfolio*" below. Investment securities increased by KZT262,000 million, or 159.6 per cent. due to the inflow of deposits and management of excess liquidity through repurchase transactions.

The increase in total assets by KZT463,789 million, or 16.6 per cent., as at 31 December 2023 as compared to 31 December 2022 was in line with the growth of the Bank's business and was primarily attributable to the increases in cash and cash equivalents and loans to customers, which was partially offset by the reduction in investment securities and other assets. Cash and cash equivalents increased by KZT246,080 million, or 53.7 per cent., as at 31 December 2023 as compared to 31 December 2022, which reflected the overall growth of the Bank's business. Loans to customers increased by KZT203,958 million, or 17.4 per cent., as at 31 December 2023 as compared to 31 December 2022, which reflected the growth of the Bank's corporate and individual loan portfolio. See "—*Loan Portfolio*" below.

The increase in total assets by KZT363,597 million, or 15.0 per cent., as at 31 December 2022 as compared to 31 December 2021 was in line with the growth of the Bank's business and was primarily attributable to the increases in loans to customers. Loans to customers increased by KZT364,594 million, or 45.1 per cent., as at 31 December 2022 as compared to 31 December 2021, which reflected the growth of the Bank's corporate and individual loans portfolio. See "—*Loan Portfolio*" below.

Reportable Segment Assets

The following table sets forth the Group's reportable segment assets (in million tenge) as at the dates set forth below.

As at 30 September 2024	CB	SME	RB	Investing activities	Other	Total
	(*million tenge*)					
Assets						
Cash and cash equivalents	890	25,357	39,757	686,033	104,421	856,458
Amounts due to financial organisations	10,106	3,398	402	32,876	433	47,215
Securities measured at fair value through profit or loss	–	–	–	2,868	–	2,868
Loans to customers	515,590	497,159	632,464	–	29,031	1,674,244
Investment securities	–	–	–	1,410,268	–	1,410,268
Property, plant and equipment	–	–	–	–	54,617	54,617
Intangible assets	–	–	–	–	15,385	15,385
Other assets	51	667	298	53	38,814	39,883
Total assets	**526,637**	**526,581**	**672,921**	**2,132,098**	**242,701**	**4,100,938**

As at 31 December 2023	CB	SME	RB	Investing activities	Other	Total
	(*million tenge*)					
Assets						
Cash and cash equivalents	302	19,345	45,985	540,041	98,369	704,042
Amounts due to financial organisations	3,588	3,238	337	91,734	2,533	101,430
Securities measured at fair value through profit or loss	–	–	–	3,016	–	3,016
Loans to customers	423,696	416,983	510,484	–	26,337	1,377,500
Investment securities	–	–	–	953,654	–	953,654
Property, plant and equipment	–	–	–	–	56,665	56,665
Intangible assets	–	–	–	–	13,867	13,867
Other assets	66	461	959	81	41,434	43,001
Total assets	**427,652**	**440,027**	**557,765**	**1,588,526**	**239,205**	**3,253,175**

As at 31 December 2022	**CB**	**SME**	**RB**	**Investing activities**	**Other**	**Total**
	(*million tenge*)					
Assets						
Cash and cash equivalents	13,382	11,732	15,317	209,662	207,869	457,962
Amounts due to financial organisations	3,134	3,865	293	23,754	–	31,046
Securities measured 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, plant and equipment	–	–	–	–	59,020	59,020
Intangible assets	–	–	–	–	14,550	14,550
Other assets	85	177	102	–	59,565	59,929
Total assets	**398,901**	**360,069**	**444,087**	**1,226,753**	**359,576**	**2,789,386**

As at 31 December 2021	**CB**	**SME**	**RB**	**Investing activities**	**Other**	**Total**
	(*million tenge*)					
Assets						
Cash and cash equivalents	66,481	49,460	67,451	243,234	6,322	432,948
Amounts due to financial organisations	794	3,609	394	42,193	–	46,990
Securities measured 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, plant 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**

For additional information please refer to the Note 22 to the Interim Financial Statements and Note 32 to the Annual Financial Statements.

Loan Portfolio

Loans to customers (net of allowance for expected credit losses) are the largest components of the Group's total assets, accounting for 40.8 per cent., 42.3 per cent., 42.1 per cent. and 33.3 per cent. of total assets as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively.

General

As at 30 September 2024, the Group's loans to customers amounted to KZT1,674,244 million, representing a 21.5 per cent. increase as compared to the KZT1,377,500 million as at 31 December 2023. As at 31 December 2023, total loans to customers, increased by KZT203,958 million, or 17.4 per cent., as compared to KZT1,173,542 million as at 31 December 2022, which in turn was an increase of KZT364,594 million, or 45.1 per cent. as compared to 31 December 2021.

The size of the Group's loan portfolio in tenge increased as a result of the increase in corporate loans and loans to individuals driven by the growth in lending activity and general development of the banking sector in Kazakhstan.

Distribution of Loans by Type

The following table sets forth composition of the Bank's loan to customers by type as at the date set forth below.

	As at 30 September 2024		As at 31 December					
			2023		2022		2021	
	million tenge	*% of total gross*	*million tenge*	*% of total gross*	*million tenge*	*% of total gross*	*million tenge*	*% of total gross*
	(unaudited)				(audited)			
Individually significant loans	687,491	39.1	583,513	39.8	513,167	41.4	304,386	35.9
Total individually significant loans	**687,491**	**39.1**	**583,513**	**39.8**	**513,167**	**41.4**	**304,386**	**35.9**
Individually insignificant loans								
Corporate loans	364,092	20.7	296,254	20.2	235,175	19.0	182,207	21.5
Consumer loans	489,262	27.8	476,372	32.4	378,849	30.6	31,089	3.7
Car loans	140,367	7.9	28,653	2.0	13,385	1.1	227,549	26.9
Credit cards	3,876	0.2	4,248	0.3	4,282	0.3	4,762	0.6
Mortgage loans	29,541	1.7	25,273	1.7	24,998	2.0	4,461	0.5
Other loans secured by collateral	45,228	2.6	53,450	3.6	68,752	5.6	92,685	10.9
Total individually insignificant loans	**1,072,366**	**60.9**	**884,250**	**60.2**	**725,441**	**58.6**	**542,753**	**64.1**
Loans to customers before allowance for ECL	**1,759,857**	**100.0**	**1,467,763**	**100.0**	**1,238,608**	**100.0**	**847,139**	**100.0**
Allowance for ECL	(85,613)		(90,263)		(65,066)		(38,191)	
Total loans to customers (net of ECL)	**1,674,244**		**1,377,500**		**1,173,542**		**808,948**	

Individually significant loans are assessed on an individual basis, while individually insignificant loans are assessed on a collective basis.

Individually significant loans accounted for the largest portion of the total gross loans to customers, accounting for 39.1 per cent., 39.8 per cent., 41.4 per cent. and 35.9 per cent. as at 30 September 2024, 31 December 2023, 2022 and 2021.

Distribution of Loans by Customers

The following table sets forth the Bank's total net loans to customers as at the dates set forth below.

	As at 30 September	As at 31 December		
	2024	2023	2022	2021
	million tenge			
	(unaudited)		(audited)	
Loans to large corporate businesses	516,533	427,974	391,643	184,178
Loans to SMEs	521,560	434,418	337,711	290,956
Loans to retail customers	636,151	515,108	444,188	333,814
Total loans to customers (net of allowance for ECL)	**1,674,244**	**1,377,500**	**1,173,542**	**808,948**

Corporate loans accounted for 30.9 per cent., 31.1 per cent., 33.4 per cent. and 22.7 per cent. of the total net loan portfolio as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. As at 30 September 2024, the Group's corporate loan portfolio increased by KZT88,559 million, or 20.7 per cent., as compared to 31 December 2023. The Group's corporate loan portfolio increased by 9.3 per cent. as at 31 December 2023 as compared to 31 December 2022 and amounted to KZT427,974 million. As at 31 December 2022, the Group's corporate loan portfolio increased by KZT207,465 million, or 112.6 per cent., as compared to 31 December 2021.

Loans to SMEs accounted for 31.1 per cent., 31.5 per cent., 28.8 per cent. and 36.0 per cent. of the total net loan portfolio as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. Loans to SMEs increased by 20.1 per cent. as at 30 September 2024 as compared to 31 December 2023 and amounted to KZT521,560 million, which in turn increased by 28.6 per cent. as compared to 31 December 2022 reaching KZT434,418 million. Loans to SMEs increased by 16.1 per cent. as at 31 December 2022 as compared to 31 December 2021.

Loans to individuals in the Bank's total net loan portfolio accounted for 38.0 per cent., 37.4 per cent., 37.9 per cent. and 41.3 per cent. as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. Total net loans to individuals increased by 23.5 per cent. as at 30 September 2024 as compared to 31 December 2023 and amounted to KZT636,151 million. Total net loans to individuals increased by 16.0 per cent. as at 31 December 2023 as compared to 31 December 2022 and by 33.1 per cent. as at 31 December 2022 as compared to 31 December 2021.

Distribution of Loans by Economic Sectors

The Group has historically been financing specific sectors in the Republic of Kazakhstan, mainly the retail sector, SME and large corporate sector. The following table sets forth the distribution of the Group's loans to customers by economic sector as at the dates set forth below.

	As at 30 September		As at 31 December					
	2024		2023		2022		2021	
	million tenge	*% of total gross*	*million tenge*	*% of total gross*	*million tenge*	*% of total gross*	*million tenge*	*% of total gross*
	(unaudited)				(audited)			
Loans to retail customers	708,274	40.25%	587,996	40.06%	490,266	39.58%	360,546	42.55%
Metallurgy	235,900	13.40%	161,602	11.01%	191,137	15.43%	77,119	9.10%
Wholesale trading	133,085	7.56%	133,381	9.09%	94,764	7.65%	67,003	7.91%
Services provided by small and medium businesses	118,981	6.76%	96,162	6.55%	67,489	5.45%	59,947	7.08%
Financial services	98,336	5.59%	78,902	5.37%	67,794	5.47%	34,182	4.03%
Retail services	69,643	3.96%	61,733	4.21%	56,416	4.56%	45,792	5.41%
Chemical industry	63,383	3.60%	60,031	4.09%	678	0.05%	2,454	0.29%
Real estate activities	53,563	3.04%	47,078	3.21%	48,528	3.92%	47,998	5.67%
Food industry	42,274	2.40%	45,177	3.08%	35,681	2.88%	28,457	3.36%
Transport	37,652	2.14%	43,872	2.99%	78,601	6.35%	19,533	2.31%
Construction	59,807	3.40%	39,749	2.71%	27,319	2.21%	23,497	2.77%
Agriculture	20,806	1.18%	13,498	0.92%	9,587	0.77%	9,565	1.13%
Post delivery and communication services	18,006	1.02%	12,315	0.84%	8,254	0.67%	16,662	1.97%
Manufacturing	11,894	0.68%	10,432	0.71%	6,593	0.53%	5,545	0.65%
Textile production	10,327	0.59%	7,117	0.48%	7,609	0.61%	8,368	0.99%
Metal products manufacturing	5,414	0.31%	5,194	0.35%	3,801	0.31%	2,587	0.31%
Production of crude oil and gas	1,935	0.11%	1,456	0.10%	-	0.00%	2,884	0.34%
Machine building	-	0.00%	-	0.00%	155	0.01%	264	0.03%
Other	70,577	4.01%	62,068	4.23%	43,936	3.55%	34,736	4.10%
Total loans, gross	1,759,857	**100.0%**	1,467,763	**100.0%**	1,238,608	**100.0%**	847,139	**100.0%**
Allowance for ECL	(85,613)		(90,263)		(65,066)		(38,191)	
Total loans to customers (net of allowance for ECL)	**1,674,244**		**1,377,500**		**1,173,542**		**808,948**	

Distribution of Loans by Maturity

Of the Group's net loan portfolio of KZT1,674,244 million as at 30 September 2024, KZT871,940 million, or 52.1 per cent., had a maturity of more than one year, KZT793,406 million, or 47.4 per cent., had a maturity profile of less one year (with the balance of 0.5 per cent. being overdue loans).

The following table sets forth the expected maturity of the Group's loans to customers (net of allowance for expected credit loss) as at the dates 31 December 2023, 2022 and 2021.

	As at 31 December					
	2023		2022		2021	
Maturity	*million tenge*	*% of total net loans*	*million tenge*	*% of total net loans*	*million tenge*	*% of total net loans*
			(audited)			
Less than one month	70,227	5.1%	68,528	5.8%	38,954	4.8%
One to three months	81,257	5.9%	97,625	8.3%	53,134	6.6%
Three to 12 months	480,644	34.9%	366,857	31.3%	206,315	25.5%
One to five years	674,409	49.0%	581,950	49.6%	419,216	51.8%
Over five years	58,270	4.2%	40,386	3.4%	55,712	6.9%
No maturity	-	0.0%	-	0.0%	-	0.0%
Overdue	12,693	0.9%	18,196	1.6%	35,617	4.4%
Total loans to customers (net of allowance for ECL)	**1,377,500**	**100.0%**	**1,173,542**	**100.0%**	**808,948**	**100.0%**

Distribution of Loans by Currencies

The Group's loan portfolio has historically been predominantly tenge-denominated, but a portion of the loan portfolio is denominated in U.S. dollars. Portions of loans denominated in Euros and other currencies are marginal in comparison to the total loan portfolio.

The following table sets forth the Group's loan portfolio, by currency, as at 31 December 2023, 2022 and 2021:

	As at 31 December					
	2023		2022		2021	
Currency	*million tenge*	*% of total net*	*million tenge*	*% of total net*	*million tenge*	*% of total net*
			(audited)			
Tenge	1,167,291	84.7%	985,158	84.0%	719,098	88.9%
US Dollars	209,310	15.2%	187,150	15.9%	89,678	11.1%
Euros	898	0.1%	915	0.1%	7	0.0%
Other currencies	1	0.0%	319	0.0%	165	0.0%
Total loans to customers (net of allowance for ECL)	**1,377,500**	**100.0%**	**1,173,542**	**100.0%**	**808,948**	**100.0%**

Loans to customers denominated in tenge increased by KZT182,133 million, or 18.5 per cent., at as 31 December 2023 as compared to 31 December 2022, and increased by KZT266,060 million, or 37.0 per cent., as at 31 December 2022 as compared to 31 December 2021.

Loans to customers denominated in U.S. Dollars increased by KZT22,160 million, or 11.8 per cent., at as 31 December 2023 as compared to 31 December 2022, and increased by KZT97,472 million, or 108.7 per cent., as at 31 December 2022 as compared to 31 December 2021.

NPLs

Non-performing loans, or NPLs, represent loans with payments of principal and/or interest overdue by more than 90 days. The Group had gross carrying amount of NPLs in the amount of KZT62,052 million, KZT69,276 million, KZT72,838 million and KZT72,294 million as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. The Bank's NPL ratio as a percentage of total loans to customers, gross was 3.5 per cent., 4.7 per cent., 5.9 per cent. and 8.5 per cent. as at 30 September 2024 and 31 December 2023, 2022 and 2021, respectively. The continuous decrease in the share of NPLs during the period under review was primarily attributable to the combination of the growth of the Bank's credit portfolio, collateral recovery and conservative scoring model. During the period under review, there were no overdue payments among the Bank's large corporate clients, NPLs are mainly represented by retail loans.

Allowance for expected credit losses

As at 30 September 2024, the Group's allowance for expected credit losses was KZT85,613 million, a 5.2 per cent. decrease as compared to KZT90,263 million as at 31 December 2023, primarily due to portfolio ripening and growth in secured lending, in particular car loans. The Group's allowance for expected credit losses as at 31 December 2023 increased by 38.7 per cent. as compared to 31 December 2022. As at 31 December 2022 the Group's allowance for expected credit losses was KZT65,066 million, a 70.4 per cent. increase as compared to KZT38,191 million as at 31 December 2021, primarily driven by growth of retail lending.

The Group's management believes that the level of allowance for expected credit loss as at 30 September 2024 covers all significant overdue loans. The Group's allowance for expected credit loss is classified by three stages. See Note 14 to the Annual Financial Statements and Note 12 to the Interim Financial Statements.

Total Liabilities

General

The following table sets forth the principal components of the Group's total liabilities as at the dates set forth below.

	As at 30 September	As at 31 December		
	2024	2023	2022	2021
	million tenge			
	(unaudited)		(audited)	
Current accounts and deposits from customers	2,731,483	2,261,023	2,011,734	1,733,759
Amounts due to banks and other credit institutions	82,362	68,384	66,751	85,189
Amounts payable under repurchase agreements	424,591	163,523	67,980	25,064
Debt securities issued	288,274	267,250	249,473	253,120
Subordinated debt	14,647	14,389	16,795	20,503
Deferred tax liabilities	15,011	12,732	13,904	13,987
Other liabilities	46,421	36,066	18,989	16,470
Total liabilities	**3,602,789**	**2,823,367**	**2,445,626**	**2,148,092**

As at 30 September 2024, the Group had total liabilities of KZT3,602,789 million as compared to KZT2,823,367 million as at 31 December 2023, KZT2,445,626 million as at 31 December 2022 and KZT2,148,092 million as at 31 December 2021.

The increase in total liabilities of KZT779,422 million, or 27.6 per cent., as at 30 September 2024 as compared to 31 December 2023 was primarily attributable to an increase in current accounts and deposits from customers and in amount payable under repurchase agreements.

Current accounts and deposits from customers increased by KZT470,460 million, or 20.8 per cent., as at 30 September 2024 as compared to 31 December 2023, primarily due to the growth in current accounts and deposits (including demand deposits, term deposits and guarantee deposits) from corporate customers, which increased by KZT439,269 million, or 31.9 per cent., as at 30 September 2024 as compared to 31 December 2023. Amounts payable under repurchase agreements increased by KZT13,978 million, or 20.4 per cent. as at 30 September 2024 as compared to 31 December 2023, reflecting an increase in the Group's short-term funding and favourable market conditions for utilising repurchase agreements for short-term financing. Other liabilities increased by KZT10,355 million, or 28.7 per cent., as at 30 September 2024 as compared to 31 December 2023.

The increase in total liabilities of KZT377,741 million, or 15.4 per cent., as at 31 December 2023 as compared to 31 December 2022 was primarily due to the increase in current accounts and deposits from customers as well as amounts payable under repurchase agreements. Current accounts and deposits from customers increased by KZT249,289 million, or 12.4 per cent., as at 31 December 2023 as compared to 31 December 2022, reflecting the Bank's attractiveness as a secure storage solution for customers, primarily driven by legal entities. Amounts payable under repurchase agreements increased by KZT95,543 million, or 140.5 per cent., respectively, as at 31 December 2023 as compared to 31 December 2022, resulting from low-cost funding and subsequent placement in weekly deposits.

The increase in total liabilities of KZT297,534 million, or 13.9 per cent., as at 31 December 2022 as compared to 31 December 2021 was primarily due to increases in current accounts and customer deposits and amounts payable under repurchase agreements, partly offset a decrease in amounts due to banks and other credit institutions. Current accounts and customer deposits increased by KZT277,975 million, or 16.0 per cent., to KZT2,011,734 million as at 31 December 2022 from KZT1,733,759 million as at 31 December 2021, primarily as a result of an increase in current account and deposits of retail customers, which increased by 26.6 per cent., to KZT743,790 million from KZT587,336 million as at 31 December 2021.

Amounts payable under repurchase agreements increased by KZT42,916 million, or 171.2 per cent., as at 31 December 2022 as compared to 31 December 2021, which was primarily due to low-cost funding and subsequent placement in weekly deposits. Amounts due to banks and other credit institutions decreased by KZT18,438 million, or 21.6 per cent., as at 31 December 2022 as compared to 31 December 2021, reflecting early repayment of a loan received from the EBRD.

Reportable Segment Liabilities

The following table sets forth the Group's reportable segment liabilities (in million tenge) as at the dates set forth below.

30 September 2024	CB	SME	RB	Investing activities	Other	Total
Liabilities	(*million tenge*)					
Current accounts and deposits from customers	958,502	855,716	917,217	–	48	2,731,483
Amounts due to banks and other financial institutions	17,225	39,346	14,083	187	11,521	82,362
Amounts payable under repurchase agreements	–	–	–	424,591	–	424,591
Debt securities issued	–	–	15,681	272,593	–	288,274
Deferred tax liabilities	–	–	–	–	15,011	15,011
Subordinated debt	–	–	–	14,647	–	14,647
Other liabilities	64	358	7,150	11	38,838	46,421
Total liabilities	**975,791**	**895,420**	**954,131**	**712,029**	**65,418**	**3,602,789**

31 December 2023	CB	SME	RB	Investing activities	Other	Total
Liabilities	(*million tenge*)					
Current accounts and deposits from customers	691,613	683,011	886,366	–	33	2,261,023
Amounts due to banks and other financial institutions	11,452	32,229	13,432	55	11,216	68,384
Amounts payable under repurchase agreements	–	–	–	163,523	–	163,523
Debt securities issued	–	–	14,480	252,770	–	267,250
Subordinated debt	–	–	–	14,389	–	14,389
Deferred tax liabilities	–	–	–	–	12,732	12,732
Other liabilities	15	220	10,344	9	25,478	36,066
Total liabilities	**703,080**	**715,460**	**924,622**	**430,746**	**49,459**	**2,823,367**

31 December 2022	**CB**	**SME**	**RB**	**Investing activities**	**Other**	**Total**
Liabilities	(*million tenge*)					
Current accounts and deposits from customers	680,679	582,487	748,472	–	96	2,011,734
Amounts due to banks and other financial institutions	10,518	34,310	10,692	37	11,194	66,751
Amounts payable under repurchase agreements	–	–	–	67,980	–	67,980
Debt securities issued	–	–	13,040	186,660	49,773	249,473
Deferred tax liabilities	–	–	–	–	16,795	16,795
Subordinated debt	–	–	–	–	13,904	13,904
Other liabilities	24	90	1,531	8	17,336	18,989
Total liabilities	**691,221**	**616,887**	**773,735**	**254,685**	**109,098**	**2,445,626**

31 December 2021	**CB**	**SME**	**RB**	**Investing activities**	**Other**	**Total**
Liabilities	(*million tenge*)					
Current accounts and deposits of customers	699,189	440,566	594,003	–	1	1,733,759
Amounts due to banks and other financial 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
Deferred tax liabilities	–	–	–	–	13,987	13,987
Subordinated debt	–	–	–	–	20,503	20,503
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**

For additional information please refer to the Note 22 to the Interim Financial Statements and Note 32 to the Annual Financial Statements.

Maturity Profile of The Group's Financial Liabilities

The table below presents that the amount of financial liabilities of the Bank at maturities as at the dates indicated below:

	As at 31 December					
	2023		2022		2021	
Maturity	*million tenge*	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*
			(audited)			
Less than one month	1,473,385	52.2%	1,337,578	54.7%	1,063,430	49.5%
One to three months	156,809	5.6%	120,129	4.9%	147,997	6.9%
Three to 12 months	813,741	28.8%	514,983	21.1%	391,336	18.2%
One to five years	307,794	10.9%	403,945	16.5%	468,673	21.8%
Over five years	71,634	2.5%	68,991	2.8%	76,633	3.6%
No maturity	-	0.0%	-	0.0%	-	0.0%
Overdue	4	0.0%	-	0.0%	23	0.0%
Total liabilities	**2,823,367**	**100.0%**	**2,445,626**	**100.0%**	**2,148,092**	**100.0%**

Total Equity

As at 30 September 2024, the Group had total equity of KZT498,149 million, an increase of KZT68,341 million, or 15.9 per cent., from KZT429,808 million as at 31 December 2023. This increase was mainly attributable to an increase in retained earnings reflecting the recorded profit for the period.

As at 31 December 2023, the Group had a total equity of KZT429,808 million, an increase of KZT86,048 million, or 25.0 per cent., from KZT343,760 million as at 31 December 2022. This increase was mainly attributable to an increase in retained earnings reflecting the recorded profit for the period.

As at 31 December 2022, the Group had a total equity of KZT343,760 million, an increase of KZT66,063 million, or 23.8 per cent., from KZT277,697 million as at 31 December 2021. This increase was mainly attributable to an increase in retained earnings reflecting the recorded profit for the period.

Liquidity and Capital Resources

The Bank's principal sources of liquidity are deposits of main corporate customers and individuals, long-term and short-term loans from other credit institutions, issued debt securities as well as diversified portfolios of highly liquid assets.

Funding

The Bank's funding base consists primarily of current accounts and deposits from customers. Other sources of funding include loans from banks and other credit institutions, debt securities issued and other subordinated debt, as well as the Notes issued hereby. See "*– Financial Position – Total Liabilities*". As at 30 September 2024, funding from customer accounts comprised KZT2,731,483 million, or 75.8 per cent, of the Bank's funding base, as compared to KZT2,261,023 million as at 31 December 2023. The Group's funding strategy is to continue developing a diversified funding base to cover the growing needs of the Group's business.

The following table sets out the Bank's sources of funding as at the dates indicated:

	As at 30 September		As at 31 December					
	2024		2023		2022		2021	
	million tenge	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*
	(unaudited)				(audited)			
Due to banks and other credit institutions								
Loans and deposits from governmental organisations	67,948	1.9	54,549	2.0	53,035	2.2	48,110	2.3
Liabilities due to Kazakhstan Sustainability Fund JSC	14,414	0.4	13,835	0.5	13,716	0.6	14,280	0.7
Loans from other credit institutions	-	-	-	-	-		22,706	1.0
Current accounts and deposits of banks	-	-	-	-	-		93	0.0
Total	**82,362**	**2.3**	**68,384**	**2.5**	**66,751**	**2.8**	**85,189**	**4.0**
Current Accounts and deposits from Customers								
Current Accounts and demand deposits	911,087	25.7	706,266	25.5	693,976	28.8	530,473	25.1
Term deposits	1,686,950	47.7	1,449,461	52.2	1,234,144	51.2	1,140,583	53.8
Guarantee deposits	133,446	3.8	105,296	3.8	83,614	3.4	62,703	3.0
Total	2,731,483	77.2	2,261,023	81.5	2,011,734	83.4	1,733,759	81.9
Amounts payable under repurchase agreements	424,591	12.0	163,523	5.9	67,980	2.8	25,064	1.1
Debt securities in issue	288,274	8.1	267,250	9.6	249,473	10.3	253,120	12.0
Subordinated debt	14,647	0.4	14,389	0.5	16,795	0.7	20,503	1.0
Total funding	3,541,357	100.0	2,774,569	100.0	2,412,733	100.0	2,117,635	100.0

Current Accounts and Deposits from Customers

The following table sets forth the Bank's current accounts and deposits from customers as at the dates indicated:

	As at 30 September		As at 31 December					
	2024		2023		2022		2021	
	million tenge	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*	*million tenge*	*% of total*
	(unaudited)				(audited)			
Current account and demand deposits								
Retail customers	126,775	4.6%	145,682	6.4%	138,821	6.9%	91,195	5.3%
Corporate customers	784,312	28.7%	560,584	24.8%	555,155	27.6%	439,278	25.3%
Total	**911,087**	**33.3%**	**706,266**	**31.2%**	**693,976**	**34.5%**	**530,473**	**30.6%**
Term deposits								
Retail customers	749,010	27.4%	701,834	31.0%	570,528	28.3%	478,679	27.6%
Corporate customers	937,940	34.4%	747,627	33.2%	663,616	33.1%	661,904	38.2%
Total	**1,686,950**	**61.8%**	**1,449,461**	**64.2%**	**1,234,144**	**61.4%**	**1,140,583**	**65.8%**
Guarantee deposits								
Retail customers	37,643	1.4%	34,721	1.5%	34,441	1.7%	17,462	1.0%
Corporate customers	95,803	3.5%	70,575	3.1%	49,173	2.4%	45,241	2.6%
Total	**133,446**	**4.9%**	**105,296**	**4.6%**	**83,614**	**4.1%**	**62,703**	**3.6%**
Total current accounts and deposits from customers	**2,731,483**	**100.0%**	**2,261,023**	**100.0%**	**2,011,734**	**100.0%**	**1,733,759**	**100.0%**

As at 30 September 2024, the total amount of account balances of the Group's top 10 customers amounted to KZT545,523 million or 19.97 per cent. of total current accounts and deposits from customers, as compared to KZT277,877 million or 12.29 per cent. as at 31 December 2023, KZT356,755 million or 17.73 per cent. as at 31 December 2022, and KZT386,317 million or 22.28 per cent. as at 31 December 2021.

The Bank is statutorily obligated to repay deposits to customers upon demand, including for term-deposits. The Bank must repay amounts within seven calendar days for term or conditional deposits or within 30 calendar days for saving deposits, measured from the date the depositor demands repayment.

Due to Banks and Other Credit Institutions

The following table sets forth the Bank's most significant outstanding balances and maturity under existing material credit facilities as at 30 September 2024:

	Outstanding amount	Maturity
	(million Tenge)	
Damu Entrepreneurship Development Fund JSC	12,029	1 April 2034
Development Bank of Kazakhstan JSC	4,322	1 March 2035
Industrial Development Fund JSC	8,039	31 July 2030
Total	**24,390**	

Loans from governmental organisations, comprising loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of KZT46,946 million, KZT10,924 million and KZT10,058 million, respectively, as at 30 September 2024 (as compared to KZT41,064 million, KZT7,705 million and KZT5,748 million, respectively, as at 31 December 2023) are within the framework of the state programme to support small and medium-sized businesses by the banking sector, as well as the state programme of concessional lending to individuals to purchase passenger vehicles of a domestic manufacturer.

The loan received from Industrial Development Fund JSC in May 2022, with maturity at the end of 2052, in the amount of KZT15,000 million was recognised at fair value, at a market rate of 14.12 per cent. per annum. In March 2024, the Group and Industrial Development Fund JSC revised the terms of the said loan, including by setting a new maturity date until mid-2030. The revision of the loan terms resulted in a substantial modification of the financial liability, which was accounted for as the extinguishment of the original financial liability and recognition of a new financial liability which was recognised at fair value using a market rate of 16.62 per cent. per annum. As a result of the substantial modification of the loan terms, the Group recognised a loss of KZT3,593 million, inclusive of derecognition of a deferred liability in the foam of a government grant, in the interim condensed consolidated statement of comprehensive income.

During the nine-month period ended 30 September 2024, the Group and Development Bank of Kazakhstan JSC have concluded agreements for raising additional loans in the amount of KZT9,000 million, bearing a nominal interest rate of 2.0 per cent. per annum, as part of the government programme to support small and medium-sized businesses by the banking sector. The loans were recognised at fair value, using the market rate of 16.90 per cent. per annum. As a result, the Group recognised a discount on these loans in the amount of KZT6,462 million and deferred income on the government grant in the same amount, in other liabilities.

The Group had no defaults and other breaches of repayment schedules and the terms of raising funds from banks and other credit institutions, related to principal and interest on the principal amount outstanding, as at 30 September 2024 and 31 December 2023.

Debt Securities

The following table sets forth the Bank's debt securities in issue as at the dates indicated:

			As at 31 December		
	Maturity	*Coupon rate, %*	*2023*	*2022*	*2021*
			million tenge		
Bonds in USD					
Bonds issued in 2022	2025	2.60%	2,480	13,040	-
Bonds issued in 2023	2025	4.00%	11,416	-	-
Bonds issued in 2019	2022	3.00%	-	-	16,171
Bonds issued in 2010	2022	14.00%	-	-	15,497
			13,896	13,040	31,668
Bonds in KZT					
Bonds issued in 2018	2024	4.00%	202,762	186,659	172,406
Bonds issued in 2015	2025	10.13%	50,592	49,774	49,046
			253,354	**236,433**	**221,452**
			267,250	**249,473**	**253,120**

In July 2015, the Bank issued debt securities with a total nominal value of KZT49,959 million, with a coupon rate of 10.13 per cent. per annum and maturity in 2025. As at 30 September 2024, the total outstanding value of these securities amounted to KZT50,006 million.

In September 2018, the Bank issued debt securities in the aggregate nominal amount of KZT220,000 million, with a coupon rate of 4.0 per cent. per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for a KZT220,000 million deposit placed with the Bank on similar terms and successfully redeemed in December 2024.

In June 2022, the Bank successfully redeemed its eurobonds issued in 2010 in the aggregate notional amount of U.S.$35,880 thousand (equivalent to KZT16,687 million at the maturity date) with a coupon rate of 14.0 per cent. per annum.

In August 2022, the Bank redeemed its bonds issued in 2019 in the aggregate notional amount of U.S.$37 million (equivalent of KZT17,619 million at the maturity date) with a coupon rate of 3.0 per cent. per annum.

On 8 August 2022, the Bank placed U.S.$30.9 million notes as part of its first tranche of up to U.S.$100 million 2.6 per cent. US dollar-denominated bonds on AIX. The bonds were issued under its U.S.$200 million bond programme. On the first anniversary of the issuance, the Bank repurchased bonds in the aggregate amount of U.S.$25.5 million (equivalent to KZT11,382 million). As at 31 December 2023, the aggregate notional amount of outstanding bonds issued under this bond programme stood at U.S.$5.4 million (equivalent of KZT2,455 million). As at 30 September 2024, the total outstanding value of these securities amounted to U.S.$2.1 million (equivalent to KZT1,014 million).

In September 2023, the Bank issued a second U.S.$24.8 million 4.0 per cent. tranche under its bond programme due 2025 all of which remains outstanding at the date of this Information Memorandum. As at 30 September 2024, the total outstanding value of the securities issued under this bond programme amounted to U.S.$30.5 million (equivalent of KZT14,667 million).

Subordinated Debt

As at 31 December 2023 and 31 December 2022, the Group's subordinated debt comprised tenge-denominated subordinated debt securities maturing in between 2025 and 2031 and having a fixed coupon rate of 8.0 per cent. per annum. During 2023, the Bank has redeemed its subordinated debt securities in the amount of KZT2,313 million.

As at 31 December 2021, subordinated debt was also comprised tenge-denominated 8.0 per cent. subordinated debt securities that were redeemed in 2022.

The Group had no defaults or has not otherwise breached the terms for issue of subordinated debt, related to principal and interest on the principal amount outstanding, during years ended 31 December 2023, 31 December 2022 and 31 December 2021.

Contingencies and Commitments

Credit related commitments

The Group has credit-related contingent liabilities to provide credit resources, which take the form of approved loan and credit card limits and overdraft facilities. The Group also enters into certain financial instruments and agreements with off-balance sheet risk in the ordinary course of business to meet its clients' needs. These instruments, which include guarantees and letters of credit and other contingent liabilities, have fixed limits and generally extend for a period of up to five years, involve varying degrees of credit risk and are not reflected in the consolidated statement of financial position. The Group uses similar credit approval policies in undertaking off-balance sheet credit related commitments as it does for its on-balance sheet operations. See "*Risk Management – Credit Risk*".

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

	As at 30 September	As at 31 December		
	2024	2023	2022	2021
		million tenge		
	(unaudited)		(audited)	
Guarantees issued	159,592	105,329	69,375	57,325
Letters of credit	1,151	1,745	1.365	2,835
Undrawn loan commitments	508,711	503,298	217,758	132,972
Total credit related commitments	**669,454**	**610,372**	**288,498**	**193,132**

For additional information on the Bank's credit-related commitments see Note 30 to the Annual Financial Statements and Note 20 to the Interim Financial Statements.

Contingent tax liabilities

The taxation regime in 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.

These and other circumstances may create tax risks in Kazakhstan that are substantially more significant than in other countries. The Group's 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.

Legal proceedings

In the ordinary course of business, the Group is subject to legal actions and complaints. The Group's management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the Group's operations and financial position. The Group's management is unaware of any significant, pending or threatened claims against the Group.

Capital Management

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

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

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

In accordance with the requirements set by the NBK and effective from 1 January 2024, 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 8.0 per cent.;
- 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 9.0 per cent.; and
- 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 10.5 per cent.

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 per cent. 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 NBK requirements as at 30 September 2024, 31 December 2023, 2022 and 2021.

	30 September 2024 (unaudited)	**31 December**		
		2023	**2022**	**2021**
	million tenge (except ratios)			
Tier 1 capital	472,209	406,750	315,091	252,085
Tier 2 capital	6,259	8,145	10,354	12,885
Total regulatory capital	**478,468**	**414,895**	**325,445**	**264,970**
Total risk-weighted statutory assets, contingent liabilities and operational and market risk	**2,203,333**	**1,953,598**	**1,609,161**	**1,089,944**
k1 ratio	21.4%	20.8%	19.6%	23.1%
k1-2 ratio	21.4%	20.8%	19.6%	23.1%
k2 ratio	21.7%	21.2%	20.2%	24.3%

For a detailed description of the capital and regulatory ratios which apply to the Bank, see "*Banking Sector and Banking Regulation in the Republic of Kazakhstan*".

Significant Accounting Policies and New Accounting Standards

A detailed description of the Group's material accounting policies and changes thereto is set forth in Note 2 to the Interim Financial Statements and Note 3 to the Annual Financial Statements.

A list of new and revised accounting standards that became effective is set forth in Note 2 to the Interim Financial Statements and Note 3 to the Annual Financial Statements. The application of the new and revised accounting standards had no significant impact on the Group's consolidated financial statements. A number of new standards and amendments to standards came into force on 1 January 2024 but they had no material effect on the Group's Interim Financial Statements. In addition, the Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. For the list of such standards, please see Note 2 to the Interim Financial Statements and Note 3 to the Annual Financial Statements.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of consolidated financial statements under IFRS requires the Bank's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgments made regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. For the list of such estimates and judgments, please see Note 4 to the Annual Financial Statements and Note 3 to the Interim Financial Statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain of the Group's selected statistical information for the periods indicated. The statistical information and discussion and analysis presented below is presented solely for the convenience of the reader for analytical purposes and should be read in conjunction with the Financial Statements contained elsewhere in this Information Memorandum, as well as "*Presentation of Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". The statistical information presented below is derived from data extracted from the Annual Financial Statements and Interim Financial Statements and (in particular average quarterly based data, average balances, rates and yields, volume and rate analysis) from the Group's unaudited financial reporting and management information systems.

In this section, unless otherwise indicated, average balances is calculated on the basis of an arithmetical average of the opening balance and the closing balance for the end of each calendar quarter for the relevant period. The presentation of historical averages in this section on a daily, weekly or monthly basis would involve unreasonable effort and expense. The Group does not believe that quarterly averages present trends materially different from those that would be presented by daily, weekly or monthly averages.

Distribution of Assets, Liabilities and Equity

The return (or yield) was calculated by the amount of interest income or expense in the period divided by the average balance. The following tables show average balances, interest amounts and yields for the Bank's interest-earning assets, non-interest-earning assets, interest-bearing liabilities, non-interest-bearing liabilities and equity for the nine months ended 30 September 2024 and 2023 and for the years ended 31 December 2023, 2022 and 2021.

	For the nine-month period ended 30 September					
	2024			2023		
	Average balance[1]	Interest income/ (expense)	Average yield (assets) / rate paid (liabilities)[2]	Average balance[1]	Interest income/ (expense)	Average yield (assets) / rate paid (liabilities)[2]
	million tenge, except percentages					
ASSETS						
Interest-earning assets:						
Cash and cash equivalents[3]	680,634	60,975	11.9%	403,409	21,963	7.3%
Amounts due from credit institutions	63,859	557	1.2%	31,896	56	0.2%
Securities measured at fair value through profit or loss	2,759	-	0.0%	2,814	-	0.0%
Investment securities	1,230,567	88,600	9.6%	998,938	66,487	8.9%
Loans to customers and finance lease receivables	1,524,055	232,662	20.4%	1,220,358	176,838	19.3%
Other financial assets	7,536	899	15.9%	10,536	1,068	13.5%
Total interest-earning assets	**3,509,409**	**383,693**	**14.6%**	**2,667,950**	**266,412**	**13.3%**
Total non-interest-earning assets[4]	**168,001**			**172,863**		
Total assets	**3,677,410**			**2,840,813**		
LIABILITIES						
Interest-bearing liabilities:						
Current accounts and deposits of customers[5]	1,713,561	133,644	10.4%	1,321,832	91,010	9.2%
Amounts due to banks and other credit institutions	77,562	3,791	6.5%	66,302	2,631	5.3%
Amounts payable under repurchase agreements	324,908	31,500	12.9%	70,463	10,873	20.6%
Debt securities issued	278,212	24,733	11.9%	258,541	23,085	11.9%
Subordinated debt	14,518	852	7.8%	15,120	852	7.5%
Total interest-bearing liabilities	**2,408,760**	**194,520**	**10.8%**	**1,732,256**	**128,451**	**9.9%**
Total non-interest-bearing liabilities[6]	**804,984**			**738,571**		
EQUITY	**463,666**			**369,986**		
Equity and non-interest-bearing liabilities	**1,268,650**			**1,108,557**		
EQUITY AND LIABILITIES	**3,677,410**			**2,840,813**		

Notes:
(1) Average amounts are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period.
(2) Average yield (assets) / rate paid (liabilities) is annualised.
(3) Excludes cash on hand.
(4) Includes all assets except interest-earning assets.
(5) Excludes current/settlement accounts.
(6) Includes all liabilities except interest-bearing liabilities.

	Year ended 31 December								
	2023			2022			2021		
	Average balance[1]	Interest income/ (expense)	Average yield (assets)/ rate paid (liabilities)	Average balance[1]	Interest income (expense)	Average yield (assets)/ rate paid (liabilities)	Average balance[1]	Interest income/ (expense)	Average yield (assets)/ rate paid (liabilities)
	million tenge, except percentages								
ASSETS									
Interest-earning assets:									
Cash and cash equivalents[2]	449,928	33,528	7.5%	403,876	15,156	3.8%	344,060	8,697	2.5%
Amounts due from credit institutions	45,803	794	1.7%	44,492	303	0.7%	67,689	106	0.2%
Securities measured at fair value through profit or loss	2,854	-	0.0%	2,736	-	0.0%	3,285	-	0.0%
Investment securities	989,881	89,815	9.1%	979,243	78,819	8.0%	859,418	65,650	7.6%
Loans to customers and finance lease receivables	1,251,786	248,664	19.9%	984,699	165,761	16.8%	761,938	118,591	15.6%
Other financial assets	9,986	1,305	13.1%	14,442	702	4.9%	3,264	-	0.0%
Total interest-earning assets	**2,750,239**	**374,106**	**13.6%**	**2,429,487**	**260,741**	**10.7%**	**2,039,655**	**193,044**	**9.5%**
Total non-interest-earning assets[3]	**173,047**			**183,529**			**226,041**		
Total assets	**2,923,285**			**2,613,016**			**2,265,696**		
LIABILITIES									
Interest-bearing liabilities:									
Current accounts and deposits of customers[4]	1,368,417	129,152	9.4%	1,203,581	81,700	6.8%	1,059,507	56,347	5.3%
Amounts due to banks and other credit institutions	66,718	5,199	7.8%	78,899	5,219	6.6%	119,606	6,974	5.8%
Amounts payable under repurchase agreements	89,075	14,114	15.8%	60,518	13,350	22.1%	27,795	2,473	8.9%
Debt securities issued	260,283	31,157	12.0%	252,973	30,382	12.0%	249,005	29,699	11.9%
Subordinated debt	14,973	1,136	7.6%	17,448	1,457	8.4%	20,617	1,616	7.8%
Total interest-bearing liabilities	**1,799,466**	**180,758**	**10.0%**	**1,613,419**	**132,108**	**8.2%**	**1,476,529**	**97,109**	**6.6%**
Total non-interest-bearing liabilities[5]	**741,869**			**698,335**			**534,917**		
EQUITY	**381,950**			**301,262**			**254,250**		
Equity and non-interest-bearing liabilities	**1,123,820**			**999,597**			**789,167**		
EQUITY AND LIABILITIES	**2,923,285**			**2,613,016**			**2,265,696**		

Notes:
(1) Average amounts are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period.
(2) Excludes cash on hand.
(3) Includes all assets except interest-earning assets.
(4) Excludes current/settlement accounts
(5) Includes all liabilities except interest-bearing liabilities.

Changes in Interest Income and Interest Expenses; Volume and Rate Analysis

The following tables present the variations in the Bank's interest income and expense as a result of the variations in the average volume of interest-earning assets and interest-bearing liabilities and changes in average interest rates occurred for the nine months ended 30 September 2024 compared to the nine months ended 30 September 2023, for the year ended 31 December 2023 compared to the year ended 31 December 2022, and for the year ended 31 December 2022 compared to the year ended 31 December 2021.

	For the nine-month periods ended 30 September			For the years ended 31 December					
	2023/2024			2022/2023			2021/2022		
	Volume[2]	Rate[3]	Net change	Volume[2]	Rate[3]	Net change	Volume[2]	Rate[3]	Net change
	million tenge, except percentages								
ASSETS									
Interest-earning assets:[1]									
Cash and cash equivalents	15,093	23,919	39,012	1,728	16,644	18,372	1,512	4,947	6,459
Amounts due from credit institutions	56	445	501	9	482	491	(36)	233	197
Securities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Investment securities	15,417	6,696	22,113	856	10,140	10,996	9,153	4,016	13,169
Loans to customers	44,008	11,816	55,824	44,961	37,942	82,903	34,671	12,499	47,170
Other financial assets	(304)	135	(169)	(217)	820	603	-	702	702
Total interest-earning assets	**74,270**	**43,011**	**117,281**	**47,337**	**66,028**	**113,365**	**45,300**	**22,397**	**67,697**
LIABILITIES									
Interest-bearing liabilities:[1]									
Current accounts and deposits of customers	26,971	15,663	42,634	11,189	36,263	47,452	7,662	17,691	25,353
Amounts due to banks and other credit institutions	447	713	1,160	(806)	786	(20)	(2,374)	619	(1,755)
Amounts payable under repurchase agreements	39,263	(18,636)	20,627	6,300	(5,536)	764	2,912	7,965	10877
Debt securities issued	1,756	(108)	1,648	878	(103)	775	473	210	683
Subordinated debt	(34)	34	-	(207)	(114)	(321)	(248)	89	(159)
Total interest-bearing liabilities	**68,403**	**(2,334)**	**66,069**	**17,354**	**31,296**	**48,650**	**8,425**	**26,574**	**34,999**

Note:

(1) Average amounts are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period.

(2) Volume for the period is the difference between average balance for the relevant period and average balance for the previous period multiplied by average yield (assets)/ rate paid (liabilities) for the relevant period.

(3) Rate for the period is the difference between average yield (assets)/ rate paid (liabilities) for the relevant period and average yield (assets)/ rate paid (liabilities) for the previous period multiplied by average balance for the relevant period.

Interest-earning Assets—Margin

The following table presents the levels of average interest-earning assets and illustrates the comparative gross and net yields obtained for the indicated periods.

	As at or for the nine-month period ended 30 September	As at or for the year ended 31 December		
	2024	2023	2022	2021
	million tenge, except percentages			
Average interest-earning assets[1]	3,509,409	2,750,239	2,429,487	2,039,655
Average yield on interest-earning assets[2][3]	14.6%	13.6%	10.7%	9.5%
Net interest income[4]	189,173	193,348	128,633	95,935
Net interest margin[3][5]	7.2%	7.0%	5.3%	4.7%

Notes:

(1) The average interest-earning assets are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period
(2) Average yield on interest-earning assets is interest income divided by average interest-earning assets.
(3) Average yield on interest-earning assets and net interest margin are annualised for the nine-month period ended 30 September 2024.
(4) Net interest income is net margin on interest and similar income.
(5) Net interest margin is calculated as net margin on interest and similar income divided by average interest-earning assets.

Maturity Composition of Investment in Debt Securities Not Carried at Fair Value through Earnings

The following table presents the Bank's weighted average yield of each category of debt securities not carried at fair value through earnings as at 30 September 2024.

		Maturing				
Investment securities measured at amortised cost [(1)]	**As at 30 September 2024**	**In one year or less**	**After one year through five years**	**After five years through 10 years**	**After 10 years**	**No specific maturity**
			million tenge			
Government Bonds	31,498	15,442	971	-	15,085	-
Corporate bonds	266,335	244,049	22,286	-	-	-
Government Bonds (Total weighted average yield)	3.71%	2.49%	4.63%	-	4.90%	-
Corporate Bonds (Total weighted average yield)	5.86%	6.11%	3.12%	-	-	-

Note:
(1) Yields have been calculated using the internal rate of return ("**IRR**") as at 30 September 2024.

Maturity and Composition of Loan Portfolio

The following table presents the Bank's loans to customers' portfolio by the time remaining to maturity. Loans are stated before deduction of allowance for losses.

		Maturing			
	As at 30 September 2024	**In one year or less**	**After one year through five years**	**After five years**	**Overdue**
			million tenge		
Tenge	1,453,124	565,440	773,971	89,424	24,289
U.S. Dollars	305,885	245,790	44,000	15,936	159
Euros	847	803	16	0	28
Other	1	0	0	0	1
Total loans to customers, gross	1,759,857	812,033	817,987	105,360	24,477

The following table presents loans to customers (all of which had fixed interest rates) by category as at 30 September 2024 that are due after one year.

	Maturing			
	From 1 to 3 years	**From 3 to 5 years**	**Over 5 years**	**Overdue**
	million tenge			
Tenge	512,893	261,078	89,424	24,289
U.S. Dollars	23,444	20,556	15,936	159
Euros	16	0	0	28
Other	0	0	0	1
Total loans to customers, gross	536,353	281,634	105,360	24,477

The following table presents the Bank's loans to customers' portfolio by the time remaining to maturity. Loans are stated before deduction of allowance for losses.

	As at 31 December 2023	Maturing: In one year or less	Maturing: After one year through five years	Maturing: After five years	Maturing: Overdue
			million tenge		
Tenge	1,255,674	506,700	672,563	42,188	34,223
U.S. Dollars	211,155	140,961	47,643	21,663	888
Euros	933	880	25	0	28
Other	1	0	0	0	1
Total loans to customers, gross	1,467,763	648,541	720,231	63,851	35,140

The following table presents loans to customers (all of which had fixed interest rates) by category as at 31 December 2023 that are due after one year.

	Maturing: From 1 to 3 years	Maturing: From 3 to 5 years	Maturing: Over 5 years	Maturing: Overdue
		million tenge		
Tenge	426,421	246,142	42,188	34,223
U.S. Dollars	26,975	20,668	21,663	888
Euros	25	0	0	28
Other	0	0	0	1
Total loans and advances to customers, gross	453,421	266,810	63,851	35,140

The Bank had no loans with floating interest rates as at 30 September 2024 and 31 December 2023.

Summary of Loan Loss Experience

Allocation of Provision for Impairment Losses

The following table presents impairment losses and sets forth the percentage distribution of the total provisions as at 30 September 2024 and as at 31 December 2023, 2022 and 2021. For a discussion of accounting standards related to loss allowances on financial assets, see Notes 4 and 25 to the Annual Financial Statements.

	As at 30 September 2024		As at 31 December 2023		As at 31 December 2022		As at 31 December 2021	
	Amount	% of total loan portfolio	Amount	% of total loan portfolio	Amount	% of total loan portfolio	Amount	% of total loan portfolio
			million tenge, except percentages					
Total loan portfolio	1,759,857		1,467,763		1,238,608		847,139	
Total loss allowance	(85,613)	4.9%	(90,263)	6.1%	(65,066)	5.3%	(38,191)	4.5%
Total loan portfolio, net of loss allowance	**1,674,244**		**1,377,500**		**1,173,542**		**808,948**	

The change in the Bank's ratio of allowance for credit losses to total loan portfolio for the nine months ended 30 September 2024 as compared to the year ended 31 December 2023 was due to (i) the update of the provisioning methodology for the CB segment by refining the approach with regard to the calculation of point-in-time probably of default and through-the-cycle probably of default and (ii) and improvement of repayment reporting systems with automation for the calculation of loss given default.

The change in the Bank's ratio of allowance for credit losses to total loan portfolio in the year ended 31 December 2023 as compared to the year ended 31 December 2022 was due to (i) the application of the new loss given default model for the RB segment, (ii) change in the approach with regard to the calculation of the recovery period and the term of the collateral realisation and (iii) the update of macroeconomic parameters.

The change in the Bank's ratio of allowance for credit losses to total loan portfolio in the year ended 31 December 2022 as compared to the year ended 31 December 2021 was due to the application of the new loss given default model.

Allocation of Net Write-offs

The following table presents net write-offs for the nine-month periods ended 30 September 2024 and for the years ended 31 December 2023, 2022 and 2021.

	For the nine-month ended 30 September		For the year ended 31 December					
	2024		2023		2022		2021	
	Average amount[(1)]	% of total average loans	Average amount[(1)]	% of total average loans	Average amount[(1)]	% of total average loans	Average amount[(1)]	% of total average loans
	million tenge, except percentages							
Corporate loans	486,151	31.9%	385,981	30.8%	280,555	28.5%	168,243	22.1%
Small and medium businesses	475,677	31.2%	390,165	31.2%	330,980	33.6%	286,220	37.6%
Loans to individuals	562,227	36.9%	475,640	38.0%	373,164	37.9%	307,476	40.3%
Total average loans outstanding (net of ECL)	1,524,055	100.0%	1,251,786	100.0%	984,699	100.0%	761,938	100.0%
Net charge-offs:								
Corporate loans	15	0.0%	842	0.2%	278	0.1%	13,451	8.0%
Small and medium businesses	5,593	1.2%	2,393	0.6%	8,464	2.6%	8,115	2.8%
Loans to individuals	47,271	8.4%	37,328	7.8%	15,640	4.2%	59,226	19.3%
Total net charge-offs	**52,879**	**3.5%**	**40,563**	**3.2%**	**24,382**	**2.5%**	**80,792**	**10.6%**

Note:
(1) Average amounts are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period.

The ratio of net write-offs to total average loans to customers was 3.5 per cent., 3.2 per cent., 2.5 per cent. and 10.6 per cent. for the nine months ended 30 September 2024 and for the years ended 31 December 2023, 2022 and 2021, respectively.

The significant decrease of ratio of net write offs to total average loans to customers to 2.5 per cent. for the year ended 31 December 2023 as compared to 10.6 per cent. for the year ended 31 December 2022, mainly due to the implementation of the state programme for refinancing mortgage loans, within the framework of which the Bank wrote off loans from the balance sheet for the year ended 31 December 2022.

Deposits

Composition of Deposits per Type and Yield

The following table presents, with average balances, the breakdown of deposits by category for the nine months ended 30 September 2024 and the years ended 31 December 2023, 2022 and 2021.

	For the nine-month period 30 September		For the year ended 31 December					
	2024		2023		2022		2021	
	Average balance[(1)]	Average rate paid	Average balance[(1)]	Average rate paid	Average balance[(1)]	Average rate paid	Average balance[(1)]	Average rate paid
	million tenge, except percentages							
Term deposits	**1,713,561**	**10.4%**	**1,368,417**	**9.4%**	**1,203,581**	**6.7%**	**1,059,507**	**5.3%**
Current/settlement accounts.								
Interest-bearing	306,771	0.1%	161,241	0.1%	139 223	0.4%	99,120	0.3%
Non-interest-bearing	440,014	0.0%	542,284	0.0%	524 067	0.0%	408,373	0.0%
Total	**2,460,345**	**7.2%**	**2,071,942**	**6.2%**	**1 866 871**	**4.4%**	**1,566,999**	**3.6%**

Note:
(1) Average amounts are calculated as the simple average of the opening balance and the balance at the end of each calendar quarter within the applicable period.

The Bank is a participant of the KDIF and makes regular fee payments to the KDFI calculated based on the amount of the Bank's current accounts and deposits. The primary objective of KDFI is to guarantee the deposits of individuals in the event of forced liquidation of the Bank. As at 30 September 2024 and 31 December 2023, depositors who are individuals (including individual entrepreneurs) can receive limited insurance coverage for

their deposits, depending on the currency and type of the deposit (up to KZT10 million for deposit in tenge, up to KZT5 million for deposit in foreign currencies, and up to KZT20 million for saving deposits).

The following table sets forth the amount of the Bank's insured and uninsured outstanding balance of accounts and deposits from customer as at the dates indicated below.

	As at 30 September		As at 31 December					
	2024		2023		2022		2021	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
	million tenge, except percentages							
Insured under KDIF limited insurance coverage	371,934	13.6%	363,224	16.1%	287,838	14.3%	243,073	14.0%
Uninsured	2,359,549	86.4%	1,897,799	83.9%	1,723.896	85.7%	1,490,686	86.0%
Total outstanding balance of accounts and deposits from customers	**2,731,483**	**100.0%**	**2,261,023**	**100.0%**	**2,011,734**	**100.0%**	**1,733,759**	**100.0%**

BUSINESS

Overview

The Bank was formed on 1 January 2015 as a result of merger of Temirbank JSC and ABC Bank JSC (former ForteBank JSC) into Alliance Bank JSC. Following the merger, on 10 February 2015, Alliance Bank JSC was reregistered and rebranded as ForteBank JSC.

The Bank is one of the leading banks in the Republic of Kazakhstan offering a wide range of banking products, offerings and solutions. According to the NBK, as at 1 December 2024, the Bank was the fifth largest commercial bank in Kazakhstan by total assets (with a 6.7 per cent. market share), fifth by loan portfolio size (with a 5.4 per cent. market share), sixth by capital (with a 6.1 per cent. market share), fourth by deposits (with a 7.1 per cent. market share) and fifth by net profit (with a 5.9 per cent. market share).

The Bank operates in four principal business areas: retail business, SMEs, corporate business and investment activities and its products and services include corporate lending, retail lending, deposit taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other banking products.

The Bank operates a multichannel offline and online distribution network. As at 31 December 2024, the Bank's offline network was comprised of 21 branches, 95 service offices, 715 ATMs and 13,670 payment terminals across 37 cities and towns within Kazakhstan. The Bank's products and services may also be accessed through its online banking platform and mobile application.

The Bank is a principal member of VISA International and Mastercard International as well as a member of the Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**"). The Bank is also a member of KASE and a trading member (through its affiliate, "ForteFinance" JSC) of AIX.

The Bank participates in the KDIF which primary objective is to protect the depositors' interest in the event of forced liquidation of the participant banks. As at the date of this Information Memorandum, the insurance recovery limits are set at KZT20 million with respect to savings deposits, KZT10 million with respect to KZT-denominated accounts, deposits and plastic cards and KZT5 million with respect to accounts, deposits and plastic cards denominated in other currencies.

The Bank's business is well diversified, with the key business segments of retail business, SMEs and corporate banking being well balanced in the Bank's loan portfolio and deposit base, as well as in the structure of its assets and liabilities. One of the pillars of the Bank's strategy is the increase of its market share across all business segments without compromising asset quality and maintaining a stable and robust risk management profile.

Further, the Bank aims to develop its IT infrastructure and invest in the digitalisation of its products and services, enhance its compliance and risk management processes and implement the ESG and Sustainable Development Strategy (including the monitoring and mitigation of environmental and climate risks and development of green banking products and solutions for corporate and retail customers).

As at 30 September 2024, the Bank's total assets comprised KZT4,100,938 million while the total liabilities comprised KZT3,602,789 million. Shareholder equity was KZT498,149 million. As at 30 September 2024, total net loans to customers amounted to KZT1,674,244 million, with loans to corporate customers, loans to SMEs and loans to individuals (retail customers) accounting for 30.9 per cent., 31.1 per cent. and 38.0 per cent. of total loans to customers, respectively. As at 30 September 2024, current accounts and deposits from customers amounted to KZT2,731,483 million, including corporate accounts and deposits in the amount of KZT1,818,055 million (or 66.6 per cent. of total accounts and deposits) and retail accounts and deposits amounting to KZT913,428 million (or 33.4 per cent. of total accounts and deposits). For the nine months ended 30 September 2024 and 2023, the Bank generated profit of KZT112,622 million and KZT86,573 million, respectively.

As at 31 December 2023, the Bank's total assets amounted to KZT3,253,175 million while the total liabilities amounted to KZT2,823,367 million. Shareholder equity was KZT429,808 million. As at 31 December 2023, total net loans to customers were KZT1,377,500 million, including loans to corporate customers, loans to SMEs and loans to individuals (retail customers) comprising 31.1 per cent., 31.5 per cent. and 37.4 per cent. of total loans to customers, respectively. As at 31 December 2023, current accounts and deposits from customers

amounted to KZT2,261,023 million, including corporate accounts and deposits in the amount of KZT1,378,786 million (or 61.0 per cent. of total accounts and deposits) and retail accounts and deposits in the amount of KZT882,237 million (or 39.0 per cent. of total accounts and deposits). For the years ended 31 December 2023, 2022 and 2021, the Bank generated profit of KZT116,437 million, KZT98,086 million and KZT64,060 million, respectively.

The Bank was incorporated in 1999 under the laws of the Republic of Kazakhstan and operates under banking licence No. 1.2.29/197/36. The registered office of the Bank is located at 8/1 Dostyk Street, Astana Z05P1P0 (010017), Republic of Kazakhstan. The telephone number of the registered office of the Bank is +7 7172 59 99 99. As at the date of this Information Memorandum, the Bank has the following long-term ratings: 'BB' from Fitch and 'Ba2' from Moody's.

History

The Bank was formed on 1 January 2015 as a result of merger of Temirbank JSC and ABC Bank JSC (former ForteBank JSC) into Alliance Bank JSC. Following the merger, on 10 February 2015, Alliance Bank JSC was reregistered and rebranded as ForteBank JSC.

Alliance Bank, JSC traces its origins to IrtyshBusinessBank OJSC, which was established on 13 July 1999, following the reorganisation and merger of two regional banks, Semipalatinsk City Joint Stock Bank OJSC (founded on 7 July 1993) and IrtyshBusinessBank OJSC (founded on 24 April 1992). The institution ratained the name IrtyshBusinessBank OJSC and operated under the name until March 2002. On 13 March 2002, it was officially re-registered and renamed to Alliance Bank JSC.

Since the merger, the Bank has been committed to digital transformation. On 1 June 2016, the Bank launched an online banking service developed in collaboration with Monitise PLC. In October 2018, the Bank's cardholders gained access to the Apple Pay service and in January 2020, the Bank launched Samsung Pay in collaboration with Samsung Electronics. The Bank launched a new generation of payment cards with the option for online issuance in July 2021. On 1 October 2021, the Bank launched the new Forte Business App, a mobile application designed for corporate customers. The application offers features such as remote registration and account opening, providing convenient and efficient banking solution for businesses.

On 19 January 2022, the Bank became the first bank in Kazakhstan to have its certification centre accredited by the Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan. The accreditation has enabled the Bank's customers to obtain electronic digital signatures via its mobile application.

The Bank has also gradually and consistently focused on financing of SMEs. On 29 November 2016, the Bank signed an agreement with the European Bank for Reconstruction and Development to provide the Bank with a loan for financing SME projects and supporting women's entrepreneurship. On 24 April 2019, the Bank joined the Asian Development Bank's financing programme for SMEs. Further, on 30 December 2019 the Bank joined the European Bank for Reconstruction and Development's programme for financing SMEs.

On 2 June 2022, the Bank was among the first in Kazakhstan to join the World Economic Forum's "Closing the Gender Gap" programme dedicated to promoting gender equality. On 11 November 2022, the Bank became a member of the National ESG Club, uniting leaders in ESG transformation across Kazakhstan.

On 31 August 2023, Fitch Ratings upgraded the long-term issuer default rating of the Bank to 'BB' with a stable outlook. On 1 November 2023, Moody's Investors Service raised the Bank's outlook from stable to positive and reaffirmed its rating at 'Ba2'.

On 19 November 2023, the Bank launched the Alem service for international money transfers in collaboration with Mastercard.

The Bank has earned a number of international awards and recognitions, solidifying its reputation as a leading financial institution in Kazakhstan. It was named Kazakhstan's Best Domestic Bank from 2019 to 2023 by Asiamoney Magazine and Best Bank in Kazakhstan from 2018 to 2023 by Global Finance Magazine. Additionally, it received the Bank of the Year in Kazakhstan award from The Banker Magazine in 2017, 2018, 2020 and 2022, and was recognised as Best Bank in Kazakhstan by Euromoney Magazine in 2021. On 30 May

2023, the Bank received the JP Morgan Elite Quality Recognition Award for its high-quality U.S. dollar transfers in the international SWIFT system. Furthermore, on 5 July 2023, the Bank was recognised as the Best Bank in Kazakhstan for customer service, based on the Customer Experience Index study conducted by Senteo, an international consulting firm. On 22 March 2024, the Bank received the Best Private Banking award from Euromoney.

Competitive Strengths

The Bank is consistently developing and is currently undergoing a transition into a competitive modern financial institution implementing best international standards and practices. The Bank values its customers and provides them with a wide range of financial products and services, and a high level of service. Furthermore, the Bank employs a value stream approach to product development, focusing on SMEs (e.g., online guarantees, fast loans) and retail customers (e.g., home, daily and auto products).

The Bank's management believes that the Bank benefits from the following key components of the Bank's success:

Leading position in the Kazakhstan banking market

The Bank holds a well-established position in the Kazakhstan banking market. According to the NBK, as at 1 December 2024, the Bank ranked as the fifth largest commercial bank in Kazakhstan by total assets (6.7 per cent. market share), loan portfolio size (5.4 per cent. market share), deposits (7.1 per cent. market share) and net profit (5.9 per cent. market share) and sixth by capital (6.1 per cent. market share).

Focus on profitable growth

The Bank maintains a balanced loan portfolio structure focusing on large corporate businesses, SMEs and retail customers. Each of these accounted for 30.9 per cent., 31.1 per cent. and 38.0 per cent. of the total net loan portfolio of KZT1,674,244 million, respectively, as at 30 September 2024.

The Bank has increased its net loan portfolio by KZT296,744 million, or 21.5 per cent., as at 30 September 2024 as compared to 31 December 2023 (when it stood at KZT1,377,500 million), by focusing on sectors with an established presence, positive economic growth dynamics and long-term customer relations. The corporate loan portfolio grew by KZT88,559 million, or 20.7 per cent., as at 30 September 2024 as compared to 31 December 2023 and the SME loan portfolio grew by KZT87,142 million, or 20.1 per cent., as at 30 September 2024 as compared to 31 December 2023, while the retail customer portfolio grew by KZT121,043 million, or 23.5 per cent., as at 30 September 2024 as compared to 31 December 2023.

The Bank also maintains a balanced and growing deposit base. As at 30 September 2024, total deposits amounted to KZT2,731,483 million, as compared to KZT2,261,023 million as at 31 December 2023, KZT2,011,734 million as at 31 December 2022 and KZT1,733,759 million as at 31 December 2021. In terms of composition of the deposit base, as at 30 September 2024, the corporate business accounted for 35.1 per cent., the SME business accounted for 31.3 per cent., and the retail business accounted for 33.6 per cent. of the aggregate customer deposits in the amount of KZT2,731,483 million. As at 30 September 2024 as compared to 31 December 2023, corporate deposits grew by 38.6 per cent., SME deposits grew by 25.3 per cent., and retail deposits grew by 3.5 per cent.

The Bank has consistently prioritised profitability, achieving an annual return on average equity of no less than 25.0 per cent. for the nine months ended 30 September 2024 and the years ended 31 December 2023 and 2022. See "*Selected Consolidated Financial Information – Selected Key Financial Ratios*".

Disciplined risk approach coupled with robust capital position

The Bank benefits from a growing asset base, driven largely by its loan portfolio. As at 30 September 2024, the Bank's total assets amounted to KZT4,100,938 million compared to KZT3,253,175 million as at 31 December 2023, representing an increase of 26.1 per cent. The Bank adheres to stringent risk management policies and procedures and has conservative credit approval processes and underwriting criteria, all of which are intended to maintain the quality of its assets as its loan portfolio grows. It also has an integrated control framework

encompassing operational risk management and control, anti-money laundering compliance and corporate and information security.

As at 30 September 2024, the Bank's Regulatory Capital Ratio amounted to 21.7 per cent., in excess of the minimum level of 10.5 per cent. set by the NBK. The Bank's NPL ratio was 3.5 per cent., 4.7 per cent., 5.9 per cent. and 8.5 per cent. as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively. The Bank's NPL coverage ratio has consistently remained over 100.0 per cent. during the nine months of 2024 and the year ended 31 December 2023. During the years ended 31 December 2022 and 2021, the NPL coverage ratio amounted to 89.3 per cent. and 52.8 per cent., respectively. Furthermore, the Bank has developed a modern and extensive risk management system tailored to cover its strategy and planned operational and internal control network. See "*Risk Management*".

The Bank maintains a disciplined approach to risk management, with a highly focused strategy that has kept the annual cost of risk below 3.6 per cent. for the nine months ended 30 September 2024 and the years ended 31 December 2023, 2022 and 2021. See "*Selected Consolidated Financial Information – Selected Key Financial Ratios*".

Innovative product culture

The Bank fosters an innovative product culture, driven by a value stream approach to product development across its core segments. In retail banking, this approach has led to tailored offerings such as Home, Daily and Auto products, designed to meet diverse customer needs. For SME clients, the Bank has introduced innovative solutions like online guarantees and fast loans, streamlining access to essential financial services. In addition, the Bank boasts a leading premier banking offering in Kazakhstan, setting a benchmark for excellence and customer-centric innovation within the country.

Best-in-class digital offering

In order to realise the Bank's objective to deliver an excellent customer experience by placing customers at the centre of its ecosystem, the Bank blends the needs and expectations of customers with evolving trends in order to offer innovative customer-oriented products and services.

The Bank has been actively working on the implementation of key initiatives to advance its strategic goal of transforming into a bank that is competitive, customer-oriented, and attractive to investors and customers of all business segments. Since 2016, the share of the Bank's products delivered through digital channels has increased from 5.0 per cent. to 85.0 per cent. This rate is even more significant in certain processes — for instance, 99.0 per cent. of the Bank's corporate customer transactions are processed through online channels.

On 1 June 2016, the Bank launched an online banking service developed in collaboration with Monitise PLC. In 2021, the Bank launched an option for online issuances of payment cards, eliminating the need to visit local branches, while in October 2021, the Bank launched the Forte Business App, a mobile application catered to corporate customers that allows a variety of remote actions, such as account opening and registration.

In January 2022, the Bank became the first bank to have its certification centre 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 accreditation enables the Bank's customers to obtain electronic digital signatures via the Forte mobile app, streamlining the process of accessing services that require secure authentication and digital document signing.

Over time, the Bank has also significantly expanded the integration of its mobile offering with government services. The Bank's mobile app now offers access to 36 government services, such as vehicle checks, legalisation, and re- registration and online fine payments.

The broader Bank ecosystem includes digital tools such as ForteMarket (a marketplace that brings together manufacturers, sellers and buyers on the same platform) and ForteMobile (mobile communication based on tying payment cards to a SIM card).

Comprehensive physical branch network

As at 31 December 2024, according to NBK, the Bank had one of the widest distribution networks in Kazakhstan comprising 21 branches and 95 service offices. Furthermore, the Bank serves its customers through digital channels like ForteApp. With its client-centric product range, extensive network and 24/7 service, the Bank reaches a broad spectrum of customers. In line with its IT development strategy, the Bank continues to invest in advanced multichannel banking technology to better serve its customers.

Experienced management team

The Bank's senior management team consists of experienced and trained professionals who have a proven track record of achieving growth and meeting financial performance targets in domestic and international banking sectors. The Bank's senior and mid-level management team has extensive experience in Kazakhstan's banking market (with approximately 7 years with the Bank and 15 years of the relevant professional experience on average) and a strong understanding of the local financial services sector.

The Bank also benefits from a robust corporate governance system. See "*Management – Corporate Governance*".

Strategy

One of the pillars of the Bank's strategy is the increase of its market share across all business segments without compromising asset quality and maintaining a stable and robust risk management profile.

Further, the Bank aims to continuously develop its IT infrastructure and invest in the digitalisation of its products and services, enhance its compliance and risk management processes and implement the ESG and Sustainable Development Strategy (including the monitoring and mitigation of environmental and climate risks and development of green banking products and solutions for corporate and retail customers).

The Bank's strategy is built around three key pillars, which allow the Bank to create value for clients, employees, society and investors:

1) **Mission, vision and values** that guide the Bank;
2) **Business model** that the Bank continuously develops; and
3) **Priorities** that the Bank focuses on and **goals** that the Bank aims to achieve.

Mission, vision and values

The Bank's mission is to be a reliable long-term partner for its clients by providing modern financial solutions, with a vision to become the most reliable bank for the Bank's clients across business segments.

The Bank's core values include:

- *Reliability*: providing reliable services, channels and safekeeping of client's money;
- *Modernity*: compliance with modern trends in convenience, security, and customer experience; and
- *Time and efficiency*: aiming to deliver results in a timely and efficient way.

Business model

The Bank's business model is intended to enable it to create value and gives a clear understanding on what the Bank does, what client segments it serves, how and what resources it uses, what is its value proposition, how the Bank builds relationship with its customers, what channels it uses, what are revenue streams and what costs the Bank bears.

1) Key Activities**.** The Bank focuses on banking as its main activity and aims to be among the top three local banks by asset size. The Bank aims to increase its market share by accelerating organic growth as well as using other tools such as mergers or acquisitions. The Bank aims to be an attractive asset for potential investors by providing high profitability and dividend payout ratios.

2) Segments. The Bank is a universal bank with a balanced portfolio in all client segments. It aims to further develop a well-diversified loan portfolio along with high liquidity levels and substantial capital adequacy margins to ensure high resilience and sustainability of the Bank.

3) Resources. The Bank aims to continue developing in digital and technological services to offer best-in-class resources for clients.

4) Value proposition. The Bank aims to offer a wide range of products with favourable pricing that are reliable, easy to use and time-efficient.

5) Customer experience. The Bank implements a client-oriented model that allows to foresee and satisfy client needs in all channels of interaction by providing user-friendly, secure and on time customer experience.

6) Channels. The Bank develops convenient channels that provide access to financial products and services with the use of modern digital technologies, including AI.

7) Revenue streams. The Bank aims to achieve high profitability margins. Any decrease of the base rate is to be compensated by optimisation of balance structure.

8) Cost structure. The Bank aims to be cost efficient, focusing on improving financial discipline and cost control by decreasing cost-to-income ratio and cost of risk.

Priorities

The Bank has four key priorities:

CUSTOMER CARE	TECHNOLOGY	EFFECTIVENESS AND PROFITABILITY	RELIABILITY AND SUSTAINABILITY
• Client-oriented approach and customer experience improvement in all channels. • Launch of new products and improvement of existing products. • Development of lifestyle non-financial services through partnerships on mutually beneficial conditions.	• Launch of the new IT-landscape with a focus on domain architecture and platform solutions. • Launch of new mobile apps for retail and business customers. • Prioritisation of digital and remote channels. • Use of AI: implementation of Data Science models.	• Processes optimisation and automation. • Transformation of the branch network with a focus on sales as the Bank moves more to digital and remote channels. • Balance sheet structure optimisation: increase of the loans to assets ratio from current 42.0 per cent. to 57.0 per cent. (market average).	• Quality loan portfolio. • Diversification and decrease in the concentration of the loan and deposit portfolios. • High liquidity level. • Substantial capital adequacy margin.
• Modern financial solutions and high customer satisfaction. • Growth of customer base and its profitability.	• High availability of services and information systems. • The switchover to digital and remote channels.	• High operational efficiency and profitability metrics with above-market growth.	• High resilience and sustainability. • Top-5 by credit rating among local banks.
Key Indicators • NPS (Top-Down) • NPS of products • NPS of channels	**Key Indicators** • Share of online loans • Lead time • Availability of services	**Key Indicators** • CIR • COR • ROE	**Key Indicators** • NPL • k-1 (capital adequacy) • Credit ratings

Competition

The banking market in Kazakhstan is competitive. According to the NBK, as at 31 December 2024, 21 commercial banks were registered in Kazakhstan and the five largest banks held 67.0 per cent. of total banking assets.

The Bank faces competition from the leading domestic banks in each of the business areas in which it operates, as well as from several banks with foreign participation in the retail sector. The Bank considers its major competitors to be Halyk Bank, Bank CenterCredit and Kaspi Bank. Furthermore, the ongoing banking reforms and the general transition of the banking system to a more market-orientated and commercial model will likely result in increased competition for the Bank from other state-owned banks, as well as from foreign and private banks targeting the same client base. See "*Risk Factors – Risks relating to the Bank's Business and Industry – The Bank operates in a competitive industry*".

Subsidiaries

The table below provides information regarding the Bank's five consolidated, wholly-owned subsidiaries as at 30 September 2024:

Company	Year of Incorporation	Services	Assets (million tenge)	Equity (million tenge)	Net profit (million tenge)
ForteLeasing JSC	2001	Providing leasing services for equipment and real estate across Kazakhstan	28,209	8,632	1,708.94
OUSA-F LLP	2015	Management of doubtful and non-performing assets	9,799	3,402	127.48
ForteFinance JSC	2020	Brokerage and dealer services, investment portfolio management	5,202	4,131	167.61
ONE Technologies LLP	2015	Software development	4,925	4,004	294.27
OUSA Alliance LLP	2013	Management of doubtful and non-performing assets	3,005	2,340	24.43

Business Operations

The Bank has five reporting segments and business lines, which are used by management for operational decision-making and resource allocation and for which discrete financial information is available. 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:

- CB: includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large LE);
- SME: extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (LE and IE);
- RB: extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investment activities: responsible for financing the Bank'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; and
- 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.

Client Base

Operationally, the Bank classifies its client base into the following categories: corporate customers, SME customers and individual (retail) customers. The Bank defines:

- *corporate customers* as companies with a total annual turnover exceeding KZT15,000 million or companies with loans exceeding KZT8,000 million;
- *SMEs* as companies not qualifying for the corporate client requirements and IEs; and
- *retail customers* as individuals receiving products and services from the Bank.

For the purposes of IFRS reporting, loan portfolio is divided into loans to corporate customers, loans to SMEs and retail loans, while customer accounts and deposits are divided into corporate (including all legal entities) and retail accounts/deposits.

Retail Banking

The Bank's retail banking services include retail lending products, such as consumer loans, mortgage loans, car loans, credit cards, overdrafts, as well as personal services, including deposits, debit cards, payments and transfers, foreign exchange and safe deposit boxes. As at 30 September 2024, the Bank had 1,120,225 retail customers (including mass market, Solo and Premier retail segments).

Historically, retail business has constituted the most significant segment of the Bank's business.

Retail business loan portfolio

As at 30 September 2024, retail loans amounted to KZT636,151 million, representing 38.0 per cent. of the total net loan portfolio.

The Bank's net retail loan portfolio increased by KZT302,337 million, or 90.6 per cent., as at 30 September 2024 as compared to 31 December 2021. In 2023, the Bank's net retail loan portfolio expanded by 16.0 per cent. compared to 2022. This growth has been primarily driven by the decrease of numbers of banks in Kazakhstan, an increase in unsecured lending volumes (in consumer loans) due to the launch of online banking in 2022 and the introduction of online car lending programme and the launch of brand image campaign in the second half of 2023.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Retail business deposit base

Retail customer deposits accounted for 33.4 per cent. of total deposits as at 30 September 2024 and 39.0 per cent. of total deposits as at 31 December 2023. The total deposits from individual customers, including funds in current accounts and deposits, increased by 18.6 per cent. over 2023 as compared to 2022, reaching KZT882,237 million.

Term deposits make up the largest share of the deposit structure of retail customers, making up 82.0 per cent. of total deposits as at 30 September 2024 and 79.6 per cent. of total deposits as at 31 December 2023. Current accounts (including call deposits and guarantee deposits) accounted for 18.0 per cent. and 20.4 per cent. of individual deposits in each period, respectively.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Drivers of retail business growth

- *new products in POS lending*: in 2023, a POS lending programme was introduced in collaboration with leading electronics and home appliance retailers. This integration grants access to the organic traffic from partners, which then converts into a new influx of customers for the Bank through cross-selling.

- *expansion of car lending*: The Bank's partnership programme, initiated in the second half of 2023, includes collaboration with 250 car dealerships, including major car dealership networks across Kazakhstan. The unique features that set this programme apart are the usage of the Bank's cloud-based digital signatures for transactions and the ability to handle the registration or removal of liens and the legalisation of foreign cars online through the state services of the Ministry of Internal Affairs of the Republic of Kazakhstan.

- *expansion of the card-product line up*: In late 2023, the Bank developed and announced the launch of a new ForteTravel virtual card specially designed for travellers. The features of the card include increased bonuses on travel-related expenses, automatic provision of medical and accident insurance during global travels, priority check-in and boarding services for flights, as well as access to airport lounge areas, among other things. Other card products introduced in past years, such as the Blue, Black, and Solo cards, continue to enjoy high demand.

- *fast and affordable internet transfer system*: In November 2023, the Bank, in collaboration with Mastercard, launched the Alem service. It encompasses the most popular destinations for money transfers among Kazakhstanis, including EU countries, China, the US, the UK, Turkey and the UAE. Transfers are carried out almost instantaneously from any international payment system card issued by the Bank to a foreign bank account or card depending on the recipient's country. Today, the Bank's customers can send wire transfers to 37 countries. In addition, the Bank also provides a comprehensive array of international transfer options, including through its mobile app to an account or card, and via systems such as "Golden Crown" and SWIFT. Since 2022, the Bank has also been a participant in the Instant Payment System ("**IPS**") launched by the NBK, which allows the cardholders to instantly transfer money free of commission between the banks participating in the IPS.

- *integration of online services with government services*: The Bank's application integrates 36 government services, including vehicle checks, legalisation, re-registration and online fine payments.

The Bank sees a significant growth potential in expansion of digital platforms to enhance the offering of multiple retail services. In this regard, the Bank aims to improve the quality of services and offer new products to serve individuals.

In the retail lending sector, the Bank's most significant competitors are Kaspi Bank, Jusan Bank, Bank CenterCredit and Halyk Bank.

Retail Products and Services

The Bank provides its retail customers with a wide range of banking products through its branch network and online banking services:

- Retail Consumer Loans

Consumer loans have historically comprised the largest part of the retail loan portfolio and have been the primary contributor of its growth. The Bank has a number of retail lending programmes, including mortgage, consumer, credit card and car loans and other types of secured consumer loans. The retail loan portfolio is fully denominated in tenge. The Bank's retail consumer loans represented 69.1 per cent., 81.0 per cent., 77.3 per cent. and 63.1 per cent. of the Bank's gross retail loan portfolio as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively.

- Mortgage loans

The Bank offers several mortgage products to its retail customers. The Bank's mortgage loans represented 4.2 per cent., 4.3 per cent., 5.1 per cent. and 8.6 per cent. of the Bank's gross retail loan portfolio as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively. The Bank offers mortgage loans for purchase of any types of real estate on primary and secondary market, mortgage loans for property in new housing estates (for purchase of new apartment in a newly built estate), mortgage loans for construction and reconstruction (loans for construction and reconstruction of private houses) and mortgage loans on preferential terms (for

extension of living space in private houses). As at 30 September 2024 the weighted average tenor for mortgage loans was 185 months with the weighted average interest rate of 16.4 per cent.

While the Bank's mortgage lending volumes have been largely stable in the periods under review, aided by a gradual reduction in the base rate set by the NBK, the proportion of mortgages within the Bank's loan portfolio has halved since 31 December 2021, as a result of a stagnation of the primary housing market in Kazakhstan due to significant price hikes by developers and a reduction in funding for the subsidised state mortgage programme "7-20-25" beginning in early 2023.

- Car loans

The Bank offers car loans to its retail customers for the purchase of new or used vehicles directly from a manufacturer or from authorised dealers, or for the financing costs of insurance. The Bank's car loans represented 19.8 per cent., 4.9 per cent., 2.7 per cent. and 1.3 per cent. of the Bank's gross retail loan portfolio as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively. As at 30 September 2024, the weighted average tenor for car loans was 75 months with the weighted average interest rate of 21.2 per cent.

- Customer Accounts

As at 30 September 2024, retail current/demand accounts and term deposits (including guarantee deposits) amounted to KZT913,428 million. As at 31 December 2023, the amount of current/demand accounts and term deposits (including guarantee deposits) amounted to KZT882,237 million, an increase of KZT294,901 million as compared to 31 December 2021. As at 30 September 2024, the Bank's retail current/demand accounts and term deposits (including guarantee deposits) represented 33.4 per cent. of the Bank's total current accounts and deposits of customers.

The Bank offers several types of deposits for different periods of deposit, with different conditions.

- Credit Cards

As at 30 September 2024, the number of credit cards issued by the Bank was 16,500 thousand credit cards. Customers issues cards in the Bank's offices and online through ForteApp. As at the date of this Information Memorandum, the Bank issues credit cards with a credit limit of up to KZT3 million, an interest rate of 31.0 per cent. and a 90-day grace period. The Bank's credit cards are primarily intended for payments for offline and online purchases; however customers can also withdraw cash using ATMs, make transfers to bank accounts, digital wallets and cards.

The Bank's credit cards represented 0.5 per cent., 0.7 per cent., 0.9 per cent. and 1.2 per cent. of the Bank's gross retail loan portfolio as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively.

Corporate Banking

Corporate Banking includes banking services to large corporate customers. The Bank offers customers of its corporate banking department a range of banking products and services, including investment and corporate loans; deposits; fee and commission-based products and services such as cash handling, settlements, guarantees and letters of credit; and other products and services. The main customers of the Bank's corporate banking department are large-scale industrial companies, trading and financial service sectors entities. The Bank's offering for corporate customers includes project financing for new investment projects, as well as the expansion and renewal of existing operations. These loans cover purchasing of equipment, materials, new product samples, other assets and technologies.

The Bank's strategic goal in the corporate business sector is to create a comprehensive offering for corporate customers utilising digital technology, as well as to enhance the overall efficiency of corporate business. The system will be sustained through a focus on comprehensive, high-level servicing and long-term partnerships. The Bank plans to utilise its resource base and client reach to build a high-quality sales team and tailored corporate customer service.

Corporate business loan portfolio

As at 30 September 2024, the total net loan portfolio for the Bank's corporate customers stood at KZT516,533 million, an increase of 20.7 per cent. compared to 31 December 2023. As at 31 December 2023, the total loan portfolio for the Bank's corporate customers grew by 9.3 per cent. compared to 31 December 2022. The increase in the loan portfolio was facilitated by the growth of loans issued to the new customers in the corporate segment.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Corporate business deposit base

The total funds in the deposits and current accounts of the Bank's corporate customers amounted to KZT958,502 million as at 30 September 2024, an increase of 38.6 per cent. compared to the deposits as at 31 December 2023. The increase in deposits from companies and public sector organisations has been enabled by favourable deposit opening terms and conditions along with a rating upgrade and improvements in outlook by rating agencies.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Growth factors in corporate business segment

- *Increased lending to key industries*: The Bank significantly expanded its lending to customers across many of the Republic of Kazakhstan's key economic sectors. Most notably, the volume of lending to the chemical industry increased exponentially from KZT678 million in 2022 to KZT60,031 million in 2023, and to the wholesale trade sector, which grew by 40.8 per cent., from KZT94,764 million in 2022 to KZT133,381 million in 2023.

- *Migration of large corporate borrowers from subsidiaries of Russian banks*: Because of the risk of secondary sanctions, large Kazakhstan companies transitioned their banking services to Kazakhstan banks that are not affiliated with Russian entities. This factor primarily emerged in 2022, but also partly impacted the dynamics of the Bank's operational metrics during the period under review.

- *Establishment of new logistical hubs*: The geopolitical landscape stimulated the rapid growth in logistics within Kazakhstan in 2022, major companies, including those that left Russia following the imposition of international sanctions, drove a high demand for borrowings to be used for the construction of logistic centres in the country.

- *Participation in government-sponsored corporate lending programs*: The Bank has been involved in co-financing infrastructure programmes supported by governmental development institutions. Major collaborative initiatives included partnerships with Development Bank of Kazakhstan JSC (offering preferential long-term financing for the production of critically important goods) and with Damu Entrepreneurship Development Fund JSC (subsidising interest rates for strategic economic sector programmes), as well as with and with KazakhExport JSC (supporting domestic exporters).

Corporate Products and Services

The Bank provides customers of its corporate banking department with a wide range of banking products.

- Corporate Lending

The Bank's corporate loan portfolio represented 30.9 per cent., 31.1 per cent., 33.4 per cent. and 22.8 per cent. of the total net loan portfolio as at 30 September 2024, 31 December 2023, 2022 and 2021, respectively. As at 30 September 2024, As at 30 September 2024, the Bank did not classify any loans issued to its large corporate clients as NPLs. In line with the Bank's risk management policy, the Bank takes collateral, either in the form of letters of surety, pledge of real estate, equipment, inventory and other receivables, cash deposits, vehicles, while overdrafts are mostly unsecured.

In the corporate lending sector, the Bank's most significant competitors are Halyk Bank and Bank CenterCredit.

- Deposits

The Bank provides a range of current and term accounts to customers of its corporate banking department and seeks to develop and offer new products to meet customer needs. The Bank offers competitive interest rates on its corporate deposits and seeks to support margins through operational efficiencies and through its mobile and online platforms. As at 30 September 2024, the Bank had over 812 depositors attributable to its corporate banking department and the total volume of customer accounts attributable to its corporate banking department (customer accounts of other legal entities) amounted to KZT958,502 million, representing 35.1 per cent. of the Bank's total customer accounts.

- Trade and Export Finance

The Bank helps its customers to choose the optimal scheme of interaction with foreign counterparties and the optimal forms of settlement in their trade financing, ensuring the economic interests of the client, as well as compliance with the norms of the currency legislation of Kazakhstan. In addition, the Bank provides its customers with trade finance services, such as master loan agreements, document collection, letters of credit, factoring and post-import facilities.

- Documentary Operations

Documentary operations are an important tool of international banking. The Bank has a number of international correspondent banking relationships and, as a result, its letters of credit, guarantees and collection are accepted by the majority of the leading banks globally and all of the major banks in Europe, the US and Asia. The Bank has agreed limits with different international banks and credit lines exceeding U.S.$54. The Bank provides documentary operations for its customers in U.S. dollars, Euros, British pounds sterling, Japanese yen and Chinese yuan.

The Bank has a wide network of correspondent banks with major European and American banks, such as Commerzbank AG, Raiffeisen Bank International, JP Morgan Chase, BNY and other non-correspondent banks such as Oddo BHF SA, Banca Popolare di Sondrio, BPER Banca.

The main customers of the Bank's documentary operations services are companies in the metallurgy and chemicals industry, as well as energy, engineering and construction enterprises. For its letters of credit business, the Bank utilises funding from Export-Credit Agency of Kazakhstan.

- Currency Operations and Money Transfers

As at the date of this Information Memorandum, the Bank provides the following currency products: (i) attraction and subsequent placement of funds of partner banks and corporate customers in major freely convertible currencies (USD, EUR, JPY, GBP and RUB) for various periods at current rates of the interbank money market; and (ii) carrying out spot foreign exchange operations in the international foreign exchange market (FX Market) in major world currencies such as, RUB, USD, EUR, JPY and GBP.

Using international money transfer systems, the Bank's clients can receive and send transfers in cash or non-cash foreign and national currencies.

Small and Medium Business segment

In its SME business segment, the Bank provides lending, deposits and current accounts, settlement and cash services, bank guarantee transactions, currency exchange transactions, and other services tailored for SME customers (companies and IE).

Loan portfolio of the SME segment

As at 30 September 2024, the SME net loan portfolio stood at KZT521,560 million, an increase of 20.1 per cent. compared to 31 December 2023. As at 31 December 2023, the SME loan portfolio experienced a growth of 28.6 per cent. compared to 31 December 2022, reaching KZT434,418 million. The significant increase in the loan portfolio in 2023 and 2024 was due to the expansion of the online loan product range, as well as the acquisition

of government funds, facilitated by the Bank's partnership with the state development institution, Damu Entrepreneurship Development Fund JSC.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

SME deposit base

The total amount of funds kept in the deposits and current accounts of SME customers as at 30 September 2024 stood at KZT855,716 million, an increase of 25.0 per cent. compared to 31 December 2023. As at 31 December 2023, the deposits increased by 17.3 per cent. as compared to 31 December 2022, to KZT683,011 million. This rate of growth was significantly higher compared to the average growth in the market for corporate deposits in Kazakhstan. The growth in the deposit base of SMEs is partially attributed to the higher interest rates.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

SME segment growth factors

- *Implementation and development of user interface and experience*. This involves researching and designing new customer experiences, and the analysis of customer needs followed by the digital transformation of services: In 2023, the Bank focused on further improvements to existing products and services for entrepreneurs. Notably, the process for issuing bank guarantees was greatly simplified. The online lending programme for SMEs was also expanded, attracting about 75.0 per cent. of new segment customers in 2023.

- *Flexible commission policy*: the Bank was the first in Kazakhstan to cancel fees for tenge transfers made before 4:00 pm.

- *Collaboration with state development institutions*: The lending partnerships with Damu Entrepreneurship Development Fund JSC provide SMEs with favourable lending conditions which include reduced interest rates and bank guarantees for projects in case the borrower's own collateral is insufficient.

- *Internet banking for SMEs:* the Bank has focused on providing a variety of online services to SMEs, becoming one of the leading banks in Kazakhstan providing online services to SMEs.

Treasury

The Treasury department of the Bank is responsible for asset and liability as well as liquidity management, in particular through securities trading. The Bank has a diversified investment portfolio consisting of government bonds, corporate bonds and equity securities of corporate entities. For the nine months ended 30 September 2024, the Bank received a profit (interest income on investment securities measured at amortised cost) of KZT12,847 million from its investment portfolio.

Distribution Network

Branches and service offices

As at 31 December 2024, the Bank had 21 branches and 95 service offices.

Points of sale

As at 31 December 2024, the Bank operated 127 points of sale across 37 locations. Of these, 70 points served retail clients, 37 served corporate clients and 4 served the Premier segment. Additionally, 16 points of sale located in small towns and villages provided services to both individual and corporate clients.

Certain branches and service offices of the Bank include multiple points of sale.

Foreign Exchange Offices

The Bank operates foreign exchange offices within all its branches and service offices, offering currency exchange services to its customers. These services are available in KZT, USD, EUR and RUB.

ATMs and Payment terminals

As at 31 December 2024, for the convenience of its customers, the Bank has installed 715 ATMs and 13,670 payment terminals. The transaction turnover in the terminal network of the Bank for the year ended 31 December 2024 amounted to KZT120 billion.

Digital Channels (IT)

The Bank's management believes that scaling its digital platform will enable it to provide improved convenience to its customers by meeting their financial needs more efficiently.

The Bank provides its customers with 24/7 access through its mobile and internet banking platforms. As at 30 September 2024, the total number of users of the Bank's mobile and online banking services stood at approximately 1,200,000 users.

In 2016, the Bank introduced its mobile banking application, Forte App. The app has been fully developed in-house and allows the Bank's retail customers of to access traditional banking services such as online deposit accounts, cash management, money transfers and currency exchange as well as apply for loans online. In addition, the app enables access to a marketplace and state online services. In 2024, the Bank introduced the advanced version of Forte App. As at 31 December 2024, the number of mobile app monthly average users reached 958 thousand users.

In addition, the Bank is a principal member of leading international payment systems, including Visa International and Mastercard International.

Sustainability

The Bank is committed to integrating sustainability into main aspects of its operations and ensuring that its approach to sustainability aligns with its long-term business objectives. In 2023, the Bank adopted the ESG and Sustainable Development Strategy for 2023-2025 (the "**ESG Strategy**") to align its corporate strategy and activities with international best practices in sustainable development. The ESG Strategy focuses on sustainability, social responsibility, and governance, while the key initiatives include measuring greenhouse gas emissions, waste management, energy-saving technologies and community support projects. The Bank also approved the ESG Roadmaps for 2023-2025 which set certain objectives and KPIs in the ESG field.

Pursuant to the Bank's ESG Strategy, the Bank promotes diversity, inclusion and employee well-being while ensuring transparency through regular ESG disclosures in its annual reports. For instance, the Bank measures greenhouse gas emissions across scopes 1 and 2 (with scope 1 being direct emissions from owned or controlled sources; scope 2 being indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed). Furthermore, the Bank has developed waste sorting infrastructure, resulting in collection of 115 tonnes of wastepaper in 2024. The Bank also participates in charity and social projects such as a construction of a secondary school for 900 pupils in Essyk city and providing a sponsorship to the National Paralympic Tennis Team. Diversity efforts of the Bank include adaptation of branches for people with disabilities, introduction of a website version for the visually and hearing-impaired people, and a provision of employee benefits such as voluntary health insurance and preferential loans.

Information Technology

The Bank's information technology systems are critical to its business operations and are essential for supporting the expansion of its business operations, increasing its operational efficiencies, coordinating and enhancing its risk management and control systems and meeting the needs of its growing client base.

The Bank has a primary data centre located in Astana as well as back-up systems designed to ensure that operations are not disrupted during critical or disastrous events. The Bank also utilises hardware and software

to facilitate parallel operations and protect permanent data. The Bank currently utilises a number of software systems designed for real-time transaction processing, ensuring data security, parallel data processing, backup and recovery capabilities, as well as seamless integration and scalability.

During the period under review, the Bank has actively engaged in developing and enhancing its IT systems as part of its strategic focus on reliability, efficiency, and digitalisation. Key initiatives have included providing all services remotely.

The Bank plans to continue investing in its IT infrastructure to support the expansion of its digital offerings and improve customer experience. Future investments are expected to focus on further digitalising traditional bank products, enhancing automated decision-making processes for compliance and customer service, and integrating products and services offered by external partners and government entities.

See also "*Risk Factors – Risks Related to the Bank's Business and Industry – The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion*".

Real Estate

The Bank owns or leases premises for its head office and branches. As at 30 September 2024, the Bank's premises and equipment (comprising buildings and premises, office and computer equipment and construction in progress) amounted to KZT54.617 million, or 1.3 per cent. of the Bank's total assets. As at 30 September 2024, none of the Bank's premises or equipment were pledged.

Employees

The following table sets forth the total number of full-time employees of the Bank as at the dates indicated below:

	As at 30 September	As at 31 December		
	2024	2023	2022	2021
Total	**3,846**	**3,866**	**3,736**	**3,821**

The Bank is dedicated to promoting gender equality and ensuring comprehensive social support for its employees. With a workforce composed of 66.0 per cent. women and 34.0 per cent. men, the Bank implements various initiatives to support its team. These include voluntary health insurance, financial assistance for childbirth or in challenging life circumstances and preferential lending programmes. Employees also benefit from additional days off based on years of service, transportation services during the winter season and other measures designed to enhance well-being and work-life balance.

Development of human resources is an integral part of the Bank's potential and a priority. The personnel management system is aimed at improving its effectiveness to achieve strategic goals. Therefore, the main strategic goal in the field of personnel management is the preservation, strengthening and development of the personnel potential of the Bank and the continuation of the formation of a uniform corporate culture.

The core principles and approaches for establishing a comprehensive compensation system for the employees (including remuneration conditions and additional benefits*)* are governed by the Employee Compensation Policy and Other Elements of Their Total Rewards Structure. According to this Policy, the Bank's annual staff performance review system is based on key performance indicators. Additionally, the Bank has a job grading system in place to further enhance employee motivation.

In 2023, the Bank launched the "Forte Is More than an Office" concept. Its goal is to create comfortable working conditions for the staff, aiming to anticipate and prevent employee burnout. To facilitate this, recreational zones for learning and networking, as well as libraries and spaces for board games and table tennis, have been set up in both the head office and branch offices.

The Bank's employee benefits package includes voluntary health insurance ("**VHI**"), regular health check-ups, subsidised fitness programmes, preferential terms on car loans and extra vacation days.

The Bank does not have pension arrangements aside from the state pension of the Republic of Kazakhstan. Kazakhstan's pension system requires the Bank to make contributions on behalf of its employees, based on a percentage of their current gross salary payments.

Anti-Money Laundering, Combatting the Financing of Terrorism and Anti-Bribery Policies

In its operations, the Bank's Compliance Control Service rigorously adheres to the Policy on Managing the risks of Legalising Criminal Proceeds and the Financing of Terrorism, which was approved by the Bank's Board of Directors on 26 May 2016.The efforts to combat money laundering and the financing of terrorism (AML/CFT) include processes for customer verification, as well as the verification of their representatives and beneficiary owners, monitoring transactions, and identifying suspicious individuals who may be restricted from conducting financial activities.

Should it be impossible to adequately verify a customer, the Bank does not establish business relations or conduct transactions with such customer. Moreover, if there are existing business relations, the Bank reserves the right to terminate them. Additionally, if there are suspicions of money laundering or terrorism financing, the Bank is authorised to notify the relevant government authority before executing the banking transaction.

In its activities, the Bank strictly adheres to the requirements of the Financial Action Task Force ("**FATF**") 22, continually enhancing its AML/CFT systems and procedures using advanced technology and incorporating best international practices.

Legal Proceedings

From time to time, the Bank is subject of legal proceedings and other investigations in the ordinary course of its business. As at the date of this Information Memorandum, there are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant effect on the Bank's financial position or profitability.

RISK MANAGEMENT

Overview

Risk management is inherent in banking activities and is an essential element of the Group's operations. The major risks faced by the Group are related to market risk, credit risk, liquidity risk and operational risks. The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

The following is a description of the Group's risk management policies and procedures in respect of the aforementioned risks. For a more detailed description of the Group's risk management policies and procedures, see Note 25 to the Annual Financial Statements.

Risk management is a crucial business process in the Bank and a significant component of its operational activities. The Bank's risk management system is based on the principle of continually assessing risk throughout the life of any operation and includes:

- risk identification;
- qualitative and quantitative assessment of a particular risk;
- determination of an acceptable risk level;
- placement of authority limits and creation of reserves;
- use of collateral;
- ongoing monitoring and control allowing efficient adjustments in case of any negative changes in the conditions on which the preliminary risk assessment was made;
- conducting stress tests to identify potential risks that may arise in the future and developing recommendations to mitigate them;
- maintaining a list of high-risk clients; and
- analysis of efficiency of the risk management system.

Risk Management Structure

Risk Management Bodies

The principal risk management bodies of the Bank are the Board of Directors, the Management Board, the Risk Committees, the Credit Risk Function and Strategic Risk Function, the Bank Treasury Department and the Internal Audit Department.

Board of Directors

The Board of Directors is responsible for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as granting approval for material risk exposures or significant transactions.

Management Board

The Management Board is responsible for monitoring and implementing risk mitigation measures and ensuring that the Group operates in line with the established risk parameters. The Head of Risk Management Department, encompassing the Credit Risk Function, Strategic Risk Function and Collateral Function, is responsible for the overall risk management and compliance functions. This role includes ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial

risks. The Head of Risk Management Department reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit risk is managed through a structured system of credit committees. To improve the efficiency of decision-making process, the Group has implemented a hierarchical framework of credit committees, tailored to address varying types and levels of risk exposure. Market risks, liquidity risk, as well as credit risks with respect to counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (the "**ALMC**"). The ALMC operates at both the portfolio level and the level of individual transactions to ensure comprehensive risk control. Operational risks, including those related to information technology and information security, are monitored by the Operations Committee.

Credit Risk Function, Strategic Risk Function, Collateral Function

The Group identifies and manages both external and internal risk factors across all operations. Emphasis is placed on identifying the full spectrum of risk factors and evaluating the adequacy of existing risk mitigation measures. In addition to the routine analyses of the risks to which the Group is exposed, the risk management function actively monitors both financial and non-financial risks. This is achieved through regular engagements with first-line-of-defence divisions to gain expert insights into specific aspects of the Group's activities and development areas.

The Credit Risk Function focuses on minimising risks in the decision-making process for financing customers in the corporate sector, SMEs, retail business, and premier banking.

The Strategic Risk Function manages market risks (interest rate, currency, and price), liquidity risk, country risk, counterparty risk, and operational risks. It conducts analysis and monitors credit risk at the portfolio level and oversees risks related to information technology and information security, including on a consolidated basis. Furthermore, the Strategic Risk Function is responsible for calculation of provisions (reserves) according to IFRS standards, including the management and calculation of provisions on a consolidated basis.

The Collateral Function monitors and minimises risks associated with the valuation of collaterals for all of the Bank's business segments, as well as for the Bank's balance sheet assets, and its subsidiaries.

Bank Treasury Department

The Bank's Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. Its primary responsibilities include overseeing the funding and liquidity risks of the Group.

Internal Audit Department

Risk management processes throughout the Group are subject to an annual audit conducted by the internal audit function. This audit evaluates both the adequacy of the risk management procedures and the Group's compliance with the procedures. The Internal Audit Department reviews its findings with the management and submits its assessments, along with 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. These models leverage probabilities derived from historical data, adjusted to account for prevailing economic conditions. In addition to assessing expected losses, the Group conducts stress testing by modelling worst-case scenarios to evaluate potential impacts from extreme, low-probability events.

Risk monitoring and control are primarily conducted through limits set by the Group. These limits are designed to align with the Group's business strategy, market environment, and the level of risk that the Group is willing to accept. Additionally, the Group evaluates and monitors its overall risk-bearing capacity by assessing aggregate risk exposure across all risk types and activities to ensure comprehensive risk management.

Information gathered from all business units is thoroughly examined and processed to analyse, control, and proactively identify potential risks. This information is then presented and explained to the Management Board, the Risk Committees, and the heads of each business division. The reports include details on the total exposure to credit, market, and operational risks, liquidity indicators, and any changes in risk levels. On a monthly basis, the Management Board and its subordinate bodies receive a comprehensive risk report, while the Board of Directors receives a detailed risk report on a quarterly basis, which contains all the information necessary to assess the Group's risks and make informed decisions.

At all levels across the Group, customised risk reports are prepared and distributed to ensure that each business division has access to comprehensive, relevant, and up-to-date information necessary for effective decision-making and risk management.

Regular discussions are held at meetings of the Bank's Management Board, authorised collegial bodies, and other relevant Group employees to review compliance with and adherence to established limits, investment strategies, liquidity management, and any changes in the level of risk.

Risk Mitigation and Excessive Risk Concentration

As part of its risk management strategy, the Group employs a diverse range of instruments to manage exposures resulting from fluctuations in foreign exchange rates, portfolio price risks, derivative financial instruments, credit risk, and exposures related to forecast transactions. The Group is not active in the stock and derivatives markets and actively uses collateral to mitigate its credit risk.

Concentrations occur when multiple counterparties are involved in similar business activities, operate in the same geographic region, or share similar economic characteristics, making their ability to meet contractual obligations vulnerable to changes in economic, political, or other conditions. These concentrations indicate the sensitivity of the Group's performance to developments within a specific industry or geographic area. In order to mitigate the risk of excessive concentrations, the Group's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that a borrower or counterparty will be unable to pay amounts in full or in part when due. Credit risk arises mainly in the context of the Bank's lending activities and other transactions with counterparties giving rise to financial assets.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, as well as for geographic and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has implemented a credit quality review process to facilitate the early identification of potential changes in the creditworthiness of counterparties, including regular assessments of collateral. Counterparty limits are determined through a credit risk classification system, which assigns a risk rating to each counterparty. These risk ratings are regularly updated. The asset quality assessment procedure enables the Group to evaluate potential losses associated with its exposures and take appropriate actions when necessary.

Credit-related commitment risks

The Bank provides guarantees to its customers, which may obligate the Bank to make payments on their behalf. These payments are subsequently recovered from customers in accordance with the terms of the letter of credit. The risks associated with such guarantees are similar to those related to loans and are managed through the same control processes and policies.

The carrying amount of the components in the consolidated statement of financial position, before considering the impact of risk mitigation through master netting agreements and collateral arrangements, most accurately represents the maximum credit exposure associated with 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. However, it does not represent the maximum risk exposure that could arise in the future due to changes in the values of these instruments.

For further details on the maximum exposure to credit risk for each class of financial instruments, reference should be made to the specific notes to the Annual Financial Statements. The impact of collateral and other risk mitigation techniques is disclosed in Note 25 of the Annual Financial Statements.

Impairment Assessment

The Group calculates the expected credit loss ("**ECL**") for insignificant assets on a collective basis and for individually significant assets using multiple probability-weighted scenarios to estimate expected cash shortfalls. These shortfalls are then discounted using an approximation of the effective interest rate ("**EIR**"). A cash shortfall is the difference between the cash flows that are due to an entity under the terms of the contract and the cash flows that the entity expects to receive. For the mechanics of the ECL calculations and the summary of the key elements please refer to 25 of the Annual Financial Statements.

The allowance for the ECL is determined based on the expected credit losses over the lifetime of the asset (lifetime expected credit loss or "**LTECL**"), except in cases where there has been no significant increase in credit risk since origination. In such instances, the allowance is based on the 12-month expected credit loss ("**12mECL**"). The 12mECL represents the portion of LTECL associated with default events that are possible within 12 months from the reporting date. Both LTECL and 12mECL can be calculated on an individual or collective basis, depending on the characteristics of the underlying portfolio of financial instruments.

The Group has implemented a policy to assess, at the end of each reporting period, whether the credit risk of a financial instrument has increased significantly since initial recognition. This assessment is conducted by evaluating changes in the risk of default over the remaining life of the financial instrument. Based on this process, the Group categorises its issued loans as follows:

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

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.

Stage 3: Loans considered credit-impaired. The Group recognises an allowance for the LTECL.

POCI: Purchased or originated credit impaired ("**POCI**") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. Loss allowance for ECL is only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group classifies a financial instrument as defaulted and therefore assigns it to Stage 3 (credit-impaired) for ECL calculations in all instances where the borrower is 90 days or more past due on contractual payments. For individual financial assets, this threshold is reduced to 60 days or more past due.

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 are identified, the Group carefully considers whether the customer should be classified as defaulted and assigned to Stage 3 for ECL calculations or whether Stage 2 classification is more 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 Kazakhstan law (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Withdrawal of rating assigned at the time of issuing a loan;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation/suspension of the licence of the counterparty bank;
- Decease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for cancelling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months; and
- Moving the borrower to the unit working with non-performing loans.

The Group considers a financial instrument as "cured" and reclassifies it out of Stage 3 when none of the default criteria are present as at the reporting date, provided there has been a reduction in the debt due to partial repayment. In the case of restructuring, the instrument is deemed cured only if at least 12 months have passed since the restructuring. The decision to classify a cured asset as Stage 2 or Stage 1 depends on whether it reflects a significant increase in credit risk compared to the initial recognition.

The internal rating and PD estimation process

The Bank's Credit Risk Department utilises internal rating models to assess credit risk. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative data combining borrower-specific information with supplemental external factors that may affect borrower behaviour. Where practical, the models also build on information from the national and international external rating agencies. Probability of Default ("**PD**"), incorporating forward-looking information and the IFRS 9 stage classification of the exposure, are assigned for each rating grade. This process is conducted for each relevant economic scenario.

Treasury and interbank relationships

The Group's treasury and interbank counterparties include financial services institutions, banks, broker-dealers, exchanges, and clearinghouses. To evaluate these relationships, the Group's Strategic Risks Function utilises publicly available information, such as external ratings from international rating agencies, which forms the basis for the calculation of the ECL.

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 incorporates a range of historical, current and forward-looking information, including:

- 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; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

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

For information regarding the Group's internal credit rating grades, please refer to Note 25 of the Annual Financial Statements.

Retail lending

Retail lending includes secured and unsecured personal loans and credit cards, which are evaluated using an automated scoring system. The models use the following key input data: credit history, the ratio of monthly loan payments 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 financial instruments subject to impairment calculations, taking into account both the client's potential to increase exposure as they approach default and the possibility of early repayments. To calculate the EAD for a Stage 1 loan, the Group assesses potential default events within the next 12 months for the purpose of calculating the 12mECL. For Stage 2, Stage 3, and POCI financial assets, the potential default events over the lifetime of the instruments is considered.

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

The Group's product offerings include various corporate and retail overdraft and credit card facilities, where the Group retains the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period. Instead, it calculates the ECL over a period that reflects the Group's expectations regarding customer behaviour, the likelihood of default, and future risk mitigation measures, such as 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 collateralised lending, the loss given default ("**LGD**") indicator is taken into account, which accounts for a discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The Group segments its retail lending products into homogeneous portfolios, based on key characteristics that are relevant to the estimating future cash flows. The data used for these estimates is derived from historically collected loss data and includes 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. In assessing forward-looking information, the expectation is based on multiple scenarios. Key inputs include changes in collateral values, such as 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 segments of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. For securities issuers within the Bank's own securities portfolio, LGD levels are assessed based on external data from 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. For all assets, except loans to individuals, the Group considers that the credit risk of a financial instrument has increased significantly if the borrower's rating has decreased compared to 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 to identify a significant increase in credit risk for an asset. This includes factors such as a deterioration in the Bank's communication with the borrower, which may indicate potential difficulties in repaying the loan, or the granting of a grace period longer than one month when the client applies or restructuring measures in the case of state emergency. In certain cases, the Group may also consider that events explained in "Definition of default" section as indicative of a significant increase in credit risk, rather than a default. Regardless of any changes in credit grades, if contractual payments are more than 30 days past due, the credit risk is considered to have increased significantly since initial recognition.

The Group also applies the following criteria to determine whether there has been a significant increase in credit risk: a quantitative indicator based on changes in the PD since the initial recognition of a financial asset. For each financial asset risk group, a threshold of 200.0 per cent. is set. Additionally, the absolute value of the 12-month PD, based on the Group's own supportable statistics, is considered when assessing the increase in credit risk.

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); and
- Individually significant purchased credit impaired financial assets.

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

- Individually significant and individually insignificant loans in the corporate business and small and medium-sized businesses portfolio of Stage 1;
- Individually insignificant loans in the portfolio of corporate business and small and medium-sized businesses of Stage 2 and 3;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals; and
- 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. These may include factors such as internal credit ratings, overdue buckets, product type, loan-to-value ratios and the borrower's industry.

Forward-looking information and multiple economic scenarios

As at 31 December 2023, the Group used 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; and
- The base rate of the NBK.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies such as the NBK and international credit institutions). Experts of the Bank's Strategic Risks Function determine the weights attributable to the multiple scenarios. For details of a range of forecast values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation, please refer to Note 25 of the Annual Financial Statements.

The amount of the allowance for ECL for loans to customers recognised in the consolidated statement of financial position as at 31 December 2023 was KZT90,263 million (31 December 2022: KZT65,066 million). For additional details, please refer to Note 14 of the 2023 Financial Statements and Note 15 of the 2022 Financial Statements.

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analysing the number of days overdue for the retail and small and medium businesses segments. For loans and other financial instruments, credit quality is assessed on the basis of the internal ratings which are derived from the ratings assigned by international rating agencies. LGD levels for securities issuers within the Bank's own securities portfolio are assessed based on external data from the international rating agency Moody's.

Market risk

Market risk refers to the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements, as well as changes in the level of market price volatility and foreign currency exchange rates.

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

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

In addition, the Group employs a wide range of stress tests to model the potential financial impact of various exceptional market scenarios on individual trading portfolios and the Group's overall position. These stress tests provide an indication of the potential size of losses that could arise under extreme conditions. The stress tests

conducted 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 potential 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 a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. While interest margins may increase as a result of such changes, they may also decrease or result in losses if unexpected movements occur.

Interest rate gap analysis

Interest rate risk is primarily managed through the monitoring of interest rate gaps. Since the majority of the Group's financial instruments bear fixed interest rates, the interest gap analysis closely resembles 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. For the details of the sensitivity analysis conducted, please refer to Note 25 of the Annual Financial Statements.

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. Although the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

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 lead to reputational damage, legal or regulatory consequences, or financial losses. While the Group cannot eliminate all operational risks, it manages these risks through a robust control framework and continuous monitoring. The Group's controls include effective segregation of duties, access rights management, authorisation and reconciliation procedures, staff education, and assessment processes, including the use of internal audit.

The Bank's operational risk management measures include:

- collection of statistical data related to risk events;
- risk limitation through the development and approval of key risk indicators;
- setting the acceptable levels of operational risk based on the operational value-at-risk limit;
- performing scenario analysis and risk self-assessments;
- development of risk maps and planning for mitigative actions in response to identified risk incidents, o prevent future occurrences; and
- risk assessment associated with the launch of new products, business processes, IT developments, and software functionalities (analysis of new products, business processes, IT developments, and software features).

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 arises when the maturities of assets and liabilities do not match. The management of liquidity risk involves the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities. While it is uncommon for credit institutions to have fully matched positions due to the uncertain terms and varied nature of transactions, an unmatched position can potentially enhance profitability, but it also increases the risk of financial losses.

The Group manages liquidity with the objective of ensuring that sufficient funds are available at all times to meet its 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 a diversified portfolio of highly liquid assets, in order to be able to respond efficiently and effectively 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; and
- Monitoring liquidity ratios against regulatory requirements.

The Bank Treasury Department 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. Based on this information, the Bank Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, which primarily consists of short-term liquid trading securities, loans to banks, and other inter-bank facilities. This portfolio is designed to ensure that sufficient liquidity is available within the Group to meet its obligations and respond to any unforeseen liquidity needs across the organisation.

The daily liquidity position of the Group is monitored by the Bank Treasury Department, and regular liquidity stress testing is conducted by the Strategic Risks Function under a variety of scenarios, covering both normal and adverse market conditions. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, while the Board of Directors receives these reports on a quarterly basis. The ALMC, advised by the Risk Management Department, makes decisions on liquidity management, which are then implemented by the Bank Treasury Department.

MANAGEMENT

General

The Bank's Charter provides for the following corporate governing bodies:

1. General Meeting of Shareholders as a supreme governing body of the Bank;
2. Board of Directors, which is responsible for the general management of the Bank and the approval of its strategic and operational plans; and
3. Management Board, which is responsible for the day-to-day management and administration of the Bank.

Board of Directors

The Bank's Board of Directors is currently comprised of four members. Members of the Bank's Board of Directors are elected by the Bank's General Meeting of Shareholders in accordance with the Bank's charter to serve until their successors are duly elected and qualified.

The following table sets forth the current composition of the Bank's Board of Directors as at the date of this Information Memorandum:

Name	Age	Title
Timur Issatayev	55	Chairman of the Board of Directors
Anuar Utemuratov	42	Member of the Board of Directors
Yerlan Tuyakbayev	62	Member of the Board of Directors (independent director)
Fedor Popandopulo	61	Member of the Board of Directors (independent director)

The following is a brief summary of the business experience of members of the Bank's Board of Directors.

Timur Issatayev is the Chairman of the Board of Directors. Mr. Issatayev is one of the leading specialists with extensive experience in the banking sector and private equity. He is the founding partner of the investment group "Verny Capital". He graduated with honours from Al-Farabi Kazakh National University and Yale University, majoring in development economics. From 1996 to 1999, he led ING Bank's representative office in Kazakhstan, managing financial institution and corporate banking relationships. From 1999 to 2000, he was First Deputy Chairman of ABN AMRO Bank Kazakhstan. From 2001 to 2003, he served as First Deputy Chairman at Temirbank. In 2003, he joined ATF Bank, where he held several key positions, including Chairman of the Management Board, Member of the Board of Directors, and Chairman of the Board of Directors. Between 2006 and 2012, he served as the CEO of Verny Investments Holding, concurrently serving as Chairman of the Board of Directors from 2006 to 2013. From 2009 to 2013, Mr. Issatayev was Chairman of the Board of Directors of JSC Bank Kassa Nova. Additionally, from 2010 to 2013, he served as Advisor to the Chairman of the Management Board, Member of the Board of Directors, and Chairman of the Board of Directors of ForteBank JSC (formerly Metrocombank JSC). Since 2013, he has held roles at Alliance Bank JSC, including Chairman of the Management Board and Member of the Board of Directors. In 2014, he was elected as a Member of the Board of Directors of the Bank, and in April 2024, he assumed the role of Chairman of the Board of Directors of the Bank.

Anuar Utemuratov is a member of the Board of Directors, a representative of the Bank's major shareholder. In 2004, Mr. Utemuratov graduated from Huron University USA in London with a degree in International Relations. From 2008 to 2010, he served as an Adviser to Verny Investment Holding LLP and simultaneously held the position of Analyst at JP Morgan Financial Company in London, UK. From 2010 to 2012, Mr. Utemuratov served as Chief Risk Manager at ForteBank JSC (formerly Metrocombank JSC). In 2012, he joined the Management Board of the Bank as Chief Risk Manager, a position he held until 2013. Since 2013, he has been an Advisor to the Chairman of the Management Board of the Bank and, concurrently, a Member of the Bank's Board of Directors. He continues to serve in this capacity to the present day.

Yerlan Tuyakbayev is a member of the Board of Directors, an independent director. He graduated from the Kazakh Polytechnic Institute in 1988. From 2005 to 2007 he served as a Deputy Director of Department at Halyk Bank of Kazakhstan JSC. From 2007 to 2010 Mr. Tuyakbayev was a Director of Information Systems Department at ATF Bank JSC, and from 2010 to 2013 at Prof IT Global LLP. From 2013 to 2016, he served as Managing Director and Member of the Management Board of Alliance Bank JSC. In 2014, he concurrently held the position of Member of the Management Board and Deputy Chairman of the Management Board. From 2016 to 2020, he worked as Managing Director and Chief Information Officer ("**CIO**") at the Bank, while also serving as Member of the Management Board and Deputy Chairman of the Management Board. In April 2024, he was elected as a Member of the Board of Directors and Independent Director of the Bank.

Fedor Popandopulo is a member of the Board of Directors, an independent director. He graduated Moscow Agricultural Academy named after K.A. Timiryazev, Moscow. From 2007-2019 served as a Chief financial Officer at Verny Investments Holding LLP, from 2013 to 2019 was a Member of the Supervisory Board of KarTel LLP, from 2014-2019 he was the Chairman of the Board of Directors of Haileybury Astana School NAO, from 2016 to 2019 - Member of the Board of Directors of Bank Kassa Nova JSC and from 2017 to 2019 served as a Member of the Board of Directors of Nova Leasing JSC. In April 2024, he was elected a Member of the Board of Directors – Independent Director of the Bank.

Management Board

The following table sets forth the current composition of the Bank's Management Board as at the date of this Information Memorandum:

Name	Age	Title
Talgat Kuanyshev	51	Chairman of the Management Board
Ravshan Irmatov	46	Deputy Chairman of the Management Board
Anna Pilipenko	43	Member of the Management Board – Managing Director
Anuar Bolgauov	42	Member of the Management Board – Managing Director
Sergey Kartashov	48	Member of the Management Board – Managing Director
Nariman Zharkinbayev	42	Member of the Management Board – Managing Director
Yernar Tashenov	47	Member of the Management Board – Managing Director
Alma Abilzhanova	43	Member of the Management Board – Managing Director

The following is a brief summary of the business experience of the Bank's Management Board.

Talgat Kuanyshev is the Chairman of the Management Board of the Bank. Prior to joining the Bank in 2015, Mr. Kuanyshev was a Deputy Chairman of the Management Board at Alliance Bank JSC. Mr. Kuanyshev received a bachelor's degree from the Kazakh State Academy of Management and holds an MBA degree from the Aston Business School (UK).

Ravshan Irmatov joined the Bank in 2023 and currently serves as a Deputy Chairman of the Management Board (CFO), responsible for Accounting and Reporting, Financial Analysis and Budgeting, International Relations and Treasury. Mr. Irmatov has over 27 years of experience in the financial sector. Prior to joining the Bank, he was a partner at KPMG in charge of financial risks advisory practice and financial institutions audit practice. Mr. Irmatov graduated from the Kyrgyz Russian Slavic University with a degree in management.

Anna Pilipenko joined the Bank in 2015 and currently serves as a Member of the Management Board – Managing Director (Chief Operating Officer), responsible for the Bank's operational activities. Ms. Pilipenko has extensive experience in risk management. Prior to joining the Bank, Ms. Pilipenko worked at ATF Bank JSC, Metrocombank JSC and Accumulative Pension Fund Astana JSC. Ms. Pilipenko graduated from the Kazakh Academy of Labor and Social Relations with a degree in finance and credit.

Anuar Bolgauov joined the Bank in 2009 and currently serves as a Member of the Management Board – Managing Director (Heritage), responsible for legal matters and handling distressed assets. Mr. Bolgauov has

extensive experience in the banking sector in Kazakhstan. Prior to joining the Bank, Mr. Bolgauov worked at Stressed Assets Fund JSC and Grata Law Firm. Mr. Bolgauov graduated from the Kazakh State Law University. Mr. Bolgauov also graduated from the Almaty Law Academy (KazGUU), and the Sarsen Amanzholov East Kazakhstan University.

Sergey Kartashov joined the Bank in 2013 and currently serves as a Member of the Management Board – Managing Director (Chief Informational Officer), responsible for IT. Mr. Kartashov has extensive experience in the banking sector in Kazakhstan. Prior to joining the Bank, Mr. Kartashov worked at ATF Bank JSC, JSC Halyk Bank of Kazakhstan and Nauryz Bank Kazakhstan JSC. Mr. Kartashov graduated from the Khabarovsk Polytechnic University and the Kherson State Pedagogical University.

Nariman Zharkinbayev joined the Bank in 2024 and after receiving the AFR's approval may hold the position of Member of the Management Board – Managing Director (Retail), responsible for retail business. Mr. Zharkinbayev has extensive experience in the banking sector. Prior to joining the Bank, Mr. Zharkinbayev worked at BankTuranAlem JSC, GarantiBank International NV, Alliance Bank JSC, ATF Bank JSC, Sekerbank T.A.S. and Şeker Finansal Kiralama A.Ş. Mr. Zharkinbayev graduated from the Kazakh Economic University with a degree in international economics.

Yernar Tashenov joined the Group in 2013 and after receiving the AFR's approval may hold the position of Member of the Management Board – Managing Director (Chief Small Medium Enterprise Officer), responsible for SME business. Mr. Tashenov has extensive experience in the banking sector in Kazakhstan. Prior to joining the Group, Mr. Tashenov worked at the NBK, Halyk Bank of Kazakhstan JSC, ATF Bank JSC, BTA Bank JSC and Almaty leasing and service company LPP. Mr. Tashenov graduated from the Kazakh State Academy of Management with a degree in finance and credit. Mr. Tashenov graduated from the Kazakh National Technical University.

Alma Abilzhanova joined the Bank in 2009 and after receiving the AFR's approval may hold the position of Member of the Management Board – Managing Director (Corporate), responsible for corporate business. Ms. Abilzhanova has extensive experience in the banking sector in Kazakhstan. Prior to joining the Bank, Ms. Abilzhanova worked at ATF Bank JSC and Temirbank JSC. Ms. Abilzhanova graduated from the Kh. Dosmukhamedov Atyrau University with a degree in finance and credit.

Committees of the Board of Directors

To examine key issues and prepare recommendations for matters to be discussed by the Board of Directors, as well as to ensure compliance with Kazakhstan law, the Bank's Board of Directors established specialised advisory and consultative bodies known as committees.

The chairpersons of these committees report to the Board of Directors on the activities performed, the issues addressed, and the decisions made. In line with best practices in corporate governance, all the Board's five committees are led by the Bank's independent directors of the Bank's Board of Directors. The committees of the Board of Directors are:

- Strategic Planning Committee;
- Risk Management, Lending, Asset and Liability Management Committee;
- Internal Audit Committee;
- Human Resources, Compensation and Benefits Committee; and
- Digitalisation Committee.

Corporate Governance

The Bank's Board of Directors is committed to the highest standards of corporate governance appropriate for a bank of the Bank's size and country of incorporation. the Bank's Corporate Governance Code, which was adopted in December 2014, is largely consistent with the principles of governance applicable to Kazakhstan companies. The Bank complies with the corporate governance regime under Kazakhstan law.

The Bank has appointed two independent (non-executive) directors pursuant to the Law of the Republic of Kazakhstan No. 415-II "On Joint Stock Companies" dated 13 May 2003, as amended (the "**JSC Law**").

Management Remuneration

The remuneration policy for the Bank's executive staff is implemented in accordance with Kazakhstan law and the Bank's Charter. The total remuneration of the members of the Board of Directors and the Management Board was KZT2,536 million for the nine months ended 30 September 2024 and KZT4,215 million for the year ended 31 December 2023. The specified amounts include the cash remuneration for the members of the Board of Directors and the Management Board, relevant taxes and both the long-term and short-term components of the compensation.

Family Relationships

There is a family relationship between shareholder, Mr. Bulat Utemuratov, and Board member, Mr. Anuar Utemuratov, who represents the interests of Mr. Bulat Utemuratov.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Board of Directors and the Management Board towards the Bank and their private interests or other duties.

The Bank has instituted and maintains a policy regarding the settlement of corporate conflicts and conflicts of interest of interest involving officials and employees of the Bank, which is aimed at ensuring the prevention and settlement of any actual or potential conflicts of interest.

PRINCIPAL SHAREHOLDERS

As at the date of this Information Memorandum, the Bank's share capital is represented by fully paid 90,452,669,892 ordinary shares as follows:

Number of authorised shares	150,003,000,000
Number of issued shares	92,387,104,089
Number of repurchased (treasury) shares	(1,934,434,197)
Number of outstanding shares	90,452,669,892

The Bank's ordinary shares are admitted to trading on KASE.

As at the date of this Information Memorandum, Mr. Bulat Utemuratov is a beneficial owner of 90.91 per cent. of the outstanding ordinary shares of the Bank (including 0.2 per cent. in the form of outstanding global depositary receipts ("**GDRs**")) and is the ultimate controlling shareholder of the Group.

As at the date of this Information Memorandum, the Bank's free float constituted 9.1 per cent. of its share capital and the number of shareholders holding shares or GDRs exceeds 80,000.

The following table sets forth the shareholders of the Bank as at the date of this Information Memorandum.

Shareholder	Number of shares	Percentage of the share capital
Bulat Utemuratov*	82,229,736,260	90.91%
BNY (nominal holder of GDRs representing shares in the Bank)	6,872,553,965	7.6%
Other holders	1,350,379,667	1.49%
Total	**90,452,669,892**	**100.0%**

* directly and indirectly

The GDRs representing shares in the Bank are listed on the Luxembourg Stock Exchange (Euro MTF).

CERTAIN TRANSACTIONS WITH RELATED PARTIES

The following is an overview of the Group's transactions with related parties as at the dates indicated below. The financial information set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Annual Financial Statements. See also "*Capitalisation*".

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 30 September 2024, 31 December 2023, 2022 and 2021 and related profit or loss amounts of transactions for the nine months ended 30 September 2024 and the years ended 31 December 2023, 2022 and 2021 are as follows:

	As at 30 September 2024						
	Shareholders		***Entities under common control***		***Other related parties***		***Total***
	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)
Assets							
Loans to customers	-	-	-	-	15,915	18.0	**15,915**
Other assets.....	-	-	32	-	108	-	**140**
Liabilities							
Current accounts and deposits of customers.....	1,490	1.0	34,056	11.0	71,638	12.0	**107,184**
Other liabilities	-	-	42	-	99	-	**141**
Credit related commitments	-	-	-	-	1	-	**1**
Guarantees issued	-	-	-	-	112	-	**112**

	For the nine-month period ended 30 September 2024			
	Shareholders	***Entities under common control***	***Other related parties***	***Total***
	(million tenge)	(million tenge)	(million tenge)	(million tenge)
Income / (expense)				
Interest income.....	-	-	1,994	**1,994**
Interest expense.....	(64)	(2,135)	(2,310)	**(4,509)**
General and administrative expenses ...	-	(2,993)	(375)	**(3,368)**
Fee and commission income	5	51	68	**124**
Fee and commission expense	-	(3)	-	**(3)**
Other income	-	-	569	**569**
Other expense	-	-	(378)	**(378)**

	As at 31 December 2023						
	Shareholders		***Entities under common control***		***Other related parties***		***Total***
	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)
Assets							
Loans to customers	-	-	-	-	14,870	14.0	**14,870**
Other assets.....	-	-	83	-	93	-	**176**
Liabilities							
Current accounts and deposits of customers.....	5,792	1.0	49,917	9.0	15,844	5.0	**71,553**
Other liabilities	-	-	69	-	86	-	**155**
Credit related commitments	-	-	-	-	27,950	-	**27,950**
Guarantees issued	-	-	-	-	188	-	**188**

	For the year ended 31 December 2023			
	Shareholders	***Entities under common control***	***Other related parties***	***Total***
	(million tenge)	(million tenge)	(million tenge)	(million tenge)
Income / (expense)				
Interest income	-	-	1,343	**1,343**
Interest expense	(97)	(1,660)	(1,550)	**(3,307)**
General and administrative expenses	-	(6,835)	(578)	**(7,413)**
Fee and commission income	7	54	100	**161**
Fee and commission expense	-	(194)	-	**(194)**
Other income	-	-	476	**476**
Other expense	-	(34)	(319)	**(353)**

	As at 31 December 2022						
	Shareholders		***Entities under common control***		***Other related parties***		***Total***
	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)
Assets							
Loans to customers	-	-	-	-	26,969	6.56	**26,969**
Other assets	-	-	181	-	47	-	**228**
Liabilities							
Current accounts and deposits of customers	19,498	1.0	39,401	3.9	27,134	3.49	**86,033**
Other liabilities	-	-	75	-	55	-	**130**
Credit related commitments	-	-	-	-	6,868	-	**6,868**
Guarantees accepted	-	-	-	-	177	-	**177**
Guarantees issued	-	-	-	-	5,000	-	**5,000**

	For the year ended 31 December 2022			
	Shareholders	***Entities under common control***	***Other related parties***	***Total***
	(million tenge)	(million tenge)	(million tenge)	(million tenge)
Income / (expense)				
Interest income	-	-	1,941	**1,941**
Interest expense	(68)	(950)	(459)	**(1,477)**
General and administrative expenses	-	(874)	(453)	**(1,327)**
Fee and commission income	1	29	40	**70**
Fee and commission expense	-	(168)	-	**(168)**
Other income	-	367	442	**809**
Other expense	-	(258)	(458)	**(716)**

	As at 31 December 2021						
	Shareholders		***Entities under common control***		***Other related parties***		***Total***
	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(million tenge)	*Average effective interest rate (%)*	(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	1.0	44,905	2.51	8,389	1.42	**76,610**
Other liabilities	-	-	186	-	-	-	**186**
Contingent liabilities	-	-	-	-	71	-	**71**
Guarantees issued	-	-	-	-	73	-	**73**

	For the year ended 31 December 2021			
	Shareholders	***Entities under common control***	***Other related parties***	***Total***
	(million tenge)	(million tenge)	(million tenge)	(million tenge)
Income / (expense)				
Interest income.....	-	-	239	**239**
Interest expense.....	(330)	(692)	(105)	**(1,127)**
General and administrative expenses ...	-	(731)	(35)	**(766)**
Fee and commission income	-	23	6	**29**
Other expenses.....	-	(725)	-	**(725)**

THE BANKING SECTOR AND BANKING REGULATION IN THE REPUBLIC OF KAZAKHSTAN

The Bank is subject to numerous laws and regulations in Kazakhstan governing banking activities, as well as, among other matters, payment services, anti-money laundering, data protection, and employment.

The following is only a summary and, as such, is not intended to provide an exhaustive description of all of the regulatory requirements to which the Bank is subject in Kazakhstan. The Bank believes that it is generally in compliance with applicable laws and regulations in Kazakhstan in all material respects. Although the Bank cannot predict the effect of changes to existing laws and regulations, it is not aware of any proposed changes or proposed new laws and regulations that would have a material adverse effect on the Bank's business, other than outlined below.

The Bank notes that the application of the regulations that are, in the Bank's opinion, material to its business and listed below may be subject to certain uncertainties and, therefore, may be associated with risks related to the Bank's business. The Bank refers to such uncertainties below. In addition, the Bank notes that general uncertainties in the Kazakhstan regulatory, enforcement and judicial landscape may also affect its business and results of operations, including:

- inconsistent interpretations, applications and enforcement of the law, including inconsistencies among laws, decrees, orders and regulations issued by the President of Kazakhstan, the Kazakhstan government, ministries and regulatory authorities and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Kazakhstan legislation;
- the relative inexperience of judges, courts and arbitration tribunals in interpreting new principles of Kazakhstan legislation, particularly business and corporate law;
- substantial gaps in the regulatory structure due to the delay or absence of implementing legislation;
- a high degree of unchecked discretion on the part of governmental and regulatory authorities, including in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits;
- uncertainties related to protection of property rights against expropriation and nationalisation;
- underdeveloped or still maturing banking, insurance and securities markets laws and regulations; and
- any future adverse changes in Kazakhstan tax law and advertising and e-commerce legislation.

See "*Risk Factors—Risks Relating to Kazakhstan*" and "*Risk Factors—Risks Relating to Taxation*" for more detail.

The main piece of Kazakhstan law regulating incorporation and management of joint stock companies is the JSC Law. See "*Description of Share Capital and Charter*" for more detail.

Introduction

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks, including the Bank, comprising the second tier, with the exception of the Development Bank of Kazakhstan (DBK), which as a state development bank has a special status and belongs to neither tier. Generally, all financial institutions in Kazakhstan are required to be licensed and regulated by AFR. From 2004 until April 2011, these functions were carried out by Financial Market Supervision Agency (the "**FMSA**") and, prior to 2004, and from April 2011 until 1 January 2020, these functions were carried out by the Financial Market Supervision Committee (the "**FMSC**") of the NBK. In May 2019, the NBK proposed changes to legislation providing for the establishment of a new independent regulatory body responsible for financial markets control and development. With effect from 1 January 2020, the AFR was established. The AFR is responsible for the licensing and supervision of financial institutions, supervision and development of the financial market, as well as consumer rights protection, while the NBK focuses on monetary and currency control policies as well as inflation control.

The Government, the NBK, the FMSA, the FMSC and subsequently, the AFR, have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability of the system.

Global financial instability, market dislocation, the COVID-19 pandemic, the unrest in Kazakhstan in January 2022 and, most recently, the impact of the armed conflict commenced by Russia in Ukraine, which is ongoing, have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks.

Sanctions imposed against Russia have increased the concentration of the banking sector in Kazakhstan. Subsidiaries of three Russian banks, which represented 15.0 per cent. of total Kazakhstan bank assets prior to February 2022, were subjected to international sanctions. In coordination with the AFR, two such banks have been acquired by local entities, thus increasing the concentration of Kazakhstan's banking sector. The third bank was recapitalised and has continued operating in Kazakhstan focusing on intermediating payments with Russia.

As at 1 January 2025, the total number of Kazakhstan's banks had decreased to 21, as compared to 22 as at April 2022, due to acquisition by Bank CenterCredit of Russian-owned Alfa Bank in Kazakhstan, which was completed in May 2022. Alfa-Bank was subsequently re-branded and continued operating under the brand of Eco Center Bank, but eventually was merged into Bank CenterCredit. In September 2022, Baiterek National Management Holding JSC purchased 100.0 per cent. shares of a subsidiary bank of Russian Sberbank in Kazakhstan, which was renamed Bereke Bank. In early March 2023, the sanctions against Bereke Bank were lifted by the U.S. Treasury Department, due to the fact that the bank no longer belongs to the Russian Sberbank. In October 2024, Bereke Bank was acquired by a Qatari-based Lesha Bank LLC.

According to the IMF, Kazakhstan's banking sector is exposed to geopolitical risks, including the armed conflict commenced by Russia in Ukraine, which puts pressure on Kazakhstan's financial sector. Along with inflationary and exchange rate pressures, the spillover effects include increased sanctions risks as a result of heightened risks of Kazakhstan banks being involved in transactions with sanctioned entities, which could, in turn, results in the imposition of secondary sanctions.

Commercial Banks

According to data published by the AFR, as at 1 November 2024, there were 21 commercial banks in Kazakhstan, excluding DBK and the NBK. Since 1 July 2011, the minimum capital requirements are KZT10 billion for banks, including newly established banks, and KZT4 billion for residential construction savings banks. As at 1 November 2024, the total capital of commercial banks was KZT9,011.7 billion, as compared to KZT7,494.7 billion, KZT5,967.3 billion and KZT5,308.1 billion as at January 2024, January 2023 and January 2022, respectively. During such period, the total assets (including reserves) of such banks increased to KZT58,458.8 as at 1 November 2024 from KZT51,439.9 billion as at 1 January 2024, which in turn increased from KZT44,562.3 billion as at 1 January 2023. Aggregate liabilities were approximately KZT50,010.8 billion as at 1 November 2024, as compared to KZT44,579.5 billion and KZT39,334.6 billion as at 1 January 2024 and 1 January 2023, respectively. The aggregate net income of commercial banks amounted to KZT2,102.8 billion as at 1 November 2024, as compared to KZT2,193.8 billion and KZT1,439.9 billion as at 1 January 2024 and 1 January 2023, respectively.

In 2015, the NBK introduced a so-called "base rate" of the NBK which constitutes the main tool of monetary policy of the NBK and is used to regulate nominal interbank interest rates. By determining the level of the base rate, the NBK determines the target rate of the interbank short-term loans interest rate to ensure price stability in the medium term. After successive increases in 2022 and 2023, the NBK decreased the base rate to 15.25 per cent. on 22 January 2024, followed by further reductions to 14.75 per cent. on 26 February 2024, 14.50 per cent. on 3 June 2024, and 14.25 per cent. on 15 July 2024. The rate was maintained at 14.25 per cent. in September and October before being increased to 15.25 per cent. on 29 November 2024. On 17 January 2025, the NBK kept the base rate at 15.25 per cent.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan prior to the global financial crisis, which began in 2008, resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through

direct investment or by participating in the banking and financial services sector. Foreign banks were prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

A number of foreign banks have opened representative offices in Kazakhstan, including MUFJ Bank, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A. and Société Générale.

However, the slowdown in Kazakhstan's economy in the following years has resulted in the withdrawal of a number of foreign investors from the Kazakhstan banking sector, including ABN Amro, Royal Bank of Scotland, HSBC and Uni Credit. In December 2020, Kazakhstan law was amended to widen access to the local financial market for foreign banks. Foreign banks are now able to provide a full range of banking services in Kazakhstan through their Kazakhstan branch offices upon receiving the relevant banking license in Kazakhstan.

The scope of the license to be issued by the AFR to a branch office of a foreign bank under the applications must correspond to the scope of the license that the foreign bank holds in its home jurisdictions. Branch offices of foreign banks are subject to Kazakhstan regulatory requirements including, inter alia, the relevant local capital requirements and other requirements related to risk management, internal controls system and corporate governance.

In response to directives issued by President Kassym-Jomart Tokayev on 4 January 2023, Kazakhstan plans to further revise requirements to attract foreign banks to stimulate investment and increase competition. Proposed amendments to the law, which, according to media reports, were reviewed in the Mazhilis in October 2024, aim to achieve the following:

- to reduce the minimum total asset requirement for foreign banks planning to open a branch in Kazakhstan from U.S.$20 billion to U.S.$10 billion;
- to reduce the number of documents required to obtain permission to open a subsidiary of a foreign bank or a branch of a foreign bank in Kazakhstan;
- to expand the functionality of foreign banks' branches, including the ability to attract individual deposits of less than U.S.$120,000, issue payment cards, conduct foreign currency exchange operations, and provide syndicated financing. These amendments eliminate restrictions that previously limited the operations of foreign banks branches' compared to banks established as JSC in Kazakhstan;
- to abolish the requirement for a bank to have their own premises for conducting operations.

As at the date of this Information Memorandum, three new foreign banks have been attracted to Kazakhstan's banking sector:

- On 7 June 2024, BNK Financial Group (South Korea) was granted permission to voluntarily reorganise its microfinance organisation BNK into a second-tier bank.
- On 9 October 2024, Abu Dhabi Commercial Bank completed the acquisition of shares in JSC Islamic Bank Al Hilal. On October 21, 2024, JSC Islamic Bank Al Hilal was renamed JSC Islamic Bank ADCB.
- On 8 October 2024, a transaction for the sale of 100.0 per cent. shares in Bereke Bank between JSC "NMH "Baiterek" and Lesha Bank (Qatar) was completed.

Planned Regulatory Changes in the Banking Sector

The AFR has initiated significant regulatory changes in the banking sector in Kazakhstan. On 12 December 2024, the AFR published the Consultative Document on Regulatory Policy to the Draft Law "On Banks and Banking Activities in the Republic of Kazakhstan" ("**Consultative Document**") for public discussion until 9 January 2025. The proposed reforms aim to modernise the legislative framework to address the development of the financial market, including the increasing role of digital financial technologies, the emergence of fintech companies, and the need to strengthen financial stability.

The Consultative Document suggests implementation of proportional regulation through the establishment of universal and basic banking licenses. This approach tailors regulatory requirements to the size, scale, and complexity of banking operations, supporting the growth of smaller regional banks while ensuring appropriate oversight of larger, systemically important institutions. Additionally, the Consultative Document seeks to enhance innovation in the sector by enabling banks to engage with fintech companies and digital platforms, thereby broadening the scope of financial services.

Key elements of the reform also focus on improving consumer protection and cybersecurity. The proposed measures include enhanced data protection standards, improved transparency in service delivery, and strengthened regulations for digital transactions. Furthermore, the Consultative Document aims to support the development of Islamic finance by enabling conventional banks to offer Islamic financial products through "Islamic windows", thereby fostering financial inclusion and diversification.

These proposed changes, as detailed in the Consultative Document, are expected to position the banking sector as a more robust and adaptive component of the national economy, contributing to sustainable financial growth and resilience in a rapidly changing global environment.

Regulation of the Banking Activities

The AFR

The AFR is the state authority performing regulation, control and supervision of financial market and financial organisation in Kazakhstan. Although it is an independent institution, it is subordinate to the President of Kazakhstan. The President of Kazakhstan has the power, among other things, to appoint and remove the Chairman of the AFR, to appoint and remove the NBK's Deputy Chairman upon the proposal of the Chairman. The Chairman of the AFR is appointed for a term of six years. Ms. Madyna Abylkassymova was appointed as Chairman of the AFR in December 2019. The principal governing body of the AFR is the Executive Board. The Executive Board consists of six members. The Executive Board of the AFR includes the Chairman, three officials of the AFR, one representative from the President of Kazakhstan, and one representative from the NBK.

The AFR is responsible for most of the supervisory and regulatory functions in the financial sector. These functions were performed by the FMSA from 2004 until April 2011, and, prior to 2004, and from April 2011 until 1 January 2020, by the FSMC, which was a sub-division of the NBK.

The Agency for Protection and Development of Competition of the Republic of Kazakhstan (the "**Competition Agency**") administers anti-monopoly legislation in Kazakhstan with respect to the banking sector. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the AFR. For example, economic concentrations involving a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the AFR.

The NBK

The NBK is the central bank of Kazakhstan and the state authority that develops and conducts monetary policy, ensures the functioning of payment systems, conducts currency regulation and control and assists in ensuring the stability of the financial system and price stability in Kazakhstan. Although the NBK is an independent institution, it reports directly to the President of Kazakhstan. The NBK is authorised, among other things, to license legal entities conducting currency exchange operations and legal entities whose exclusive activity is the collection of banknotes, coins and valuables.

Financial Stability Council

The Financial Stability Council is an advisory and consultative body under the President of Kazakhstan and performs interagency coordination to ensure financial stability. The Financial Stability Council consists of the Chairman of the NBK (Chairman of Financial Stability Council); advisor of the President of Kazakhstan (overseeing social and economic issues); Chairman of the AFR; Minister of Finance of Kazakhstan; Minister of the National Economy of Kazakhstan; and the Governor of the Astana International Financial Centre.

The primary objective of the Financial Stability Council is assisting in ensuring the financial stability of Kazakhstan and preventing or mitigating systemic risks. The Financial Stability Council initially considers and provides recommendations on issues related to ensuring financial stability, including:

- macroprudential policy implementation measures aimed at mitigating systemic risks of the financial system;
- measures for preventing financial turmoil and mitigation of its consequences;
- rehabilitation measures for insolvent banks, the forced liquidation of which may lead to systemic risks for the financial system, including state participation in such rehabilitation; and
- financing measures for rehabilitation of second-tier banks, including at the expense of the NBK or its subsidiaries.

The operating entity of the Financial Stability Council is the NBK. The Financial Stability Council may request and receive materials required for the implementation of the functions and objectives of the Financial Stability Council from Kazakhstan state authorities and other organisations on the terms set out in the Kazakhstan legislation. Such materials include, among other things, information from the NBK on identified systemic risks, results of assessments and the monitoring of systemic risks and proposed measures for their mitigation in terms of macroprudential issues, and information from the AFR on the financial condition and risks of financial organisations, supervisory and regulatory measures in terms of macroprudential policy and the financial condition and material position of insolvent banks, proposed measures for rehabilitation of insolvent banks and the rationale of necessity, practicability and efficiency of state participation in consideration of issues related to rehabilitation measures for an insolvent bank.

The Banking Law

The Law of the Republic of Kazakhstan No. 2444 dated 31 August 1995 "On Banks and Banking Activity", as amended (the "**Banking Law**"), is the main law regulating the banking sector in Kazakhstan. It establishes a framework for banking activities, registration and licensing of banks and regulation of banking activities by the AFR and the NBK.

The Banking Law provides for a list of banking operations that cannot be conducted without an appropriate license from the AFR and sets forth a list of activities permitted for banks and Bank Holdings (as defined below).

The Bank holds a banking license for performing banking and other certain operations and conducting activity in the securities market.

Systemically Important Financial Institutions

Under the NBK Law, to ensure the stability of the financial system, the NBK performs regular monitoring of macroeconomic and macrofinancial factors affecting the stability of Kazakhstan's financial system and establishes a macroprudential policy, which includes a set of measures aimed at lowering the systemic risks of the financial system. Such systemic risks include the risks of interruption of the provision of financial services, which could possibly lead to the deterioration of the financial condition of the whole financial system or its parts, or the risk of interruption of the stable functioning of the financial system. Systemic risks also include risks relating to the operation of systemically important financial institutions, whose stable functioning determines the overall stability of the financial system.

Among other functions, the NBK, subject to the approval of the AFR, determines the criteria for classifying financial institutions as systemically important and manages the list of such financial organisations. Second-tier banks may be assigned the status of a systemically important financial institution subject to the NBK's determination. The stable functioning of a systemically important financial organisation determines the stability of the country's financial system as a whole or of its separate segments.

The following criteria are used for determining whether a second-tier bank is a systemically important financial institution:

- scale of the bank, i.e., the share of the bank's total assets and liabilities of the total assets and liabilities of all second-tier banks;
- interrelatedness of the bank with financial market participants:
  - share of the bank's inter-bank assets, contingent assets towards second-tier banks and investments in its subsidiaries of the total amounts for second-tier banks;
  - share of the bank's inter-bank liabilities, contingent liabilities towards second-tier banks and liabilities on pension assets of the Unified Accumulative Pension Fund invested by deposits and securities of the total amounts for second-tier banks; and
  - share of the amount of individuals' deposits placed with the bank guaranteed by the Kazakhstan Deposit Guarantee Fund, of the total amount of such deposits, placed with all banks guaranteed by the Kazakhstan Deposit Guarantee Fund;
- fungibility of the bank:
  - share of the total amount of payments made by the bank through the inter-bank money transfer system, inter-bank clearing system, payments in the e-banking market (in a banking network), payments and transfers made through correspondent accounts opened between the bank and its counterparties, through international money transfer systems in the total amounts for second-tier banks;
  - share of the bank's loan portfolio of the total loan portfolio of second-tier banks; and
  - share of assets accepted by the bank for custody services of the total assets accepted by second-tier banks for custody services; and
- complexity of banking operations performed by the bank:
  - share of total contingent claims of the bank on derivatives and foreign currency of the total amounts for second-tier banks;
  - share of total contingent liabilities of the bank on derivatives and foreign currency of the total amounts for second-tier banks; and
  - proportion of the total amount of securities at fair value through profit or loss and securities at fair value through other comprehensive income held by banks in the total amounts for second-tier banks.

Capital Adequacy

All second-tier banks are subject to regulations regarding regulatory capital and risk management. These regulations represent a substantial step towards the implementation of the Basel II and III accords. The NBK sets limits and rules for calculating capital adequacy, maximum credit exposures to single borrowers, liquidity ratios and open currency positions limits.

According to the Resolution of the Management Board of the NBK No. 170 dated 13 September 2017, as amended, (the "**Resolution No. 170**") main capital and Tier 1 capital are defined through an exhaustive list of different categories of debt and equity that qualify for treatment as capital and certain ratios, as applicable.

The Resolution No.170 requires banks to maintain a K1 capital adequacy ratio (base capital to total assets weighted for risk) of 5.5 per cent., and a K1-2 capital adequacy ratio (Tier 1 capital to total assets weighted for risk) of 6.5 per cent. The K2 capital adequacy ratio (own capital to total assets weighted for risk) requirement is 8.0 per cent. In line with the Basel III accord, Resolution No. 170 sets forth different requirements for banks that fall under the definition of systematically important financial organisations and for the banks which do not qualify as such and introduces two additional capital buffers: a "capital conservation buffer" and a "systematic buffer". All banks, except for systemically important financial organisations, must maintain levels of K1, K1-2 and K2 ratios, accounting for the conservation buffer and system buffer, of 8.0 per cent., 9.0 per cent. and 10.5

per cent., respectively, while systemically important financial organisations must maintain such ratios at minimum levels of 9.5 per cent., 10.5 per cent., and 12.0 per cent., respectively. The NBK annually conducts re-assessment and updates the list of systemically important financial organisations. For 2024, the Bank has been recognised as a "potentially systemically important financial institution" and may be designated by the NBK as a systemically important bank for 2025 or at any other point in time in future, which would require the Bank to comply with the regulatory ratios applicable to banks holding this status. Where K1, K1-2 and K2 ratios of a bank comply with capital adequacy requirements but at least one of them falls below the capital adequacy ratios calculated together with capital buffer requirements, such a bank is restricted from paying dividends or buying back shares, except as provided by the JSC Law.

Shareholders of a bank who have the status of the Bank Holding or Major Participant (each, as defined below) of the bank are obliged to take measures provided for by the NBK regulations to maintain the capital adequacy ratios of the bank. In the event of a deterioration in the bank's financial position, the Bank Holding or Major Participant must, upon the request of the AFR, take measures to improve the bank's financial position, including increasing the bank's equity to an amount sufficient to ensure the bank's financial stability.

As at the date of this Information Memorandum, the minimum charter capital for a newly-established bank was set at the level of KZT10 billion. In turn, the minimum capital base for a bank currently amounts to KZT10 billion.

Liquidity Ratios

Second-tier banks are required to maintain liquidity ratios that include: current liquidity ratio, the short-term liquidity ratio, and the short-term foreign currency liquidity ratios. The Bank's current liquidity ratio k-4 is calculated as the ratio of the bank's average monthly highly liquid assets to the average monthly amount of on-demand liabilities, taking into account accrued interest. The short-term liquidity ratio k4-1, k4-2, and k4-3 are calculated as the ratios of the average monthly amount of highly liquid assets to the average monthly amount of short-term liabilities with a remaining maturity of up to 7 days, 1 month, and 3 months, respectively. The short-term foreign currency liquidity ratios k4-4, k4-5, and k4-6 are calculated as the ratios of the average monthly amount of highly liquid (liquid) foreign currency assets to the average monthly amount of short-term liabilities in the same foreign currency with a remaining maturity of up to 7 days, 1 month, and 3 months, respectively.

As at the date of this Information Memorandum, the minimum values of the specified ratios are as follows: k4 - 0,3; k4-1 - 1; k4-2 - 0,9; k4-3 - 0,8; k4-4 - 1; k4-5 - 0,9; and k4-6 - 0,8.

Regulation of Retail Lending

Kazakhstan banks are required to maintain calculations of a debtor's debt ratio in two forms: calculation of a borrower's credit score and calculation of a borrower's debt ratio. Calculation of the borrower's debt ratio is required to determine whether the bank can grant unsecured consumer loans.

Consumers are able to meet the required borrower's credit score if their wage ratio exceeds the Minimum Subsistence Level ("**MSL**"), which is KZT46,228 as at the date of this Information Memorandum. The formula set for determining the minimum borrower's credit score is as follows:

Monthly wage ≥ MSL + 0.5*MSL*(number of infant family members).

If a borrower's monthly wage is lower than the amount calculated per the above and the debtor's debt ratio exceeds 0.5, banks cannot provide loans or credit lines to such a borrower and cannot refinance such borrower's existing loans if such refinancing would increase the borrower's debt ratio.

The calculation of the monthly wage is made taking into account, among other things, the following:

- official wage for a period of 6 months preceding the borrower's application for the loan, which could be confirmed by documental means, among others, in the form of an extract from the Unified Accumulative Pension Fund, the database of State Corporation "Government for Citizens," or an extract from the borrower's bank account(s);

- the borrower's average expenses with the use of a debit card for a period of 6 months prior to the application for loan;
- average balances on the borrower's debit cards for a period of 6 months prior to the application for loan; or
- average monthly amount of withdrawals from the borrower's deposit(s) or current bank account(s) for a period of 6 months prior to the application for loan.

In addition, the Banking Law provides that under a loan agreement granted to an individual who is not engaged in entrepreneurial activity, a bank or any other organisation performing various types of banking activities is not allowed to accrue and claim interest, penalty (fees or charges), or fees or other payments connected with such loan, following 90 consecutive calendar days of the individual's delay in repaying any payments of the principal debt amount or interest on the loan. This restriction, however, does not apply to retail loans entered into with an individual if, as at the effective date of the loan agreement, the principal amount under the loan was secured in full by a property subject to registration or cash collateral.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established. As at the date of this Information Memorandum, 19 banks, including the Bank, are covered by this scheme. At present, the insurance coverage is limited to personal deposits in any currency and current accounts up to a maximum amount per customer of KZT20 million for a saving deposit in tenge, KZT10 million for other deposits in tenge and KZT5 million for deposits in a foreign currency at any given bank. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals and participation in the deposit insurance scheme is mandatory for second-tier banks. If a customer holds several deposits of different kinds and in different currencies with a bank, such customer is entitled to receive aggregate guaranteed compensation in respect of such deposits in an amount not exceeding KZT20 million.

Deposit Interest Rate Caps

On 1 January 2024, a regulation in relation to deposit interest rates came into force. Under this regulation, fixed interest rate caps for tenge-denominated deposits with fixed interest rates apply only to the so-called "less than well capitalised banks." Interest rate caps for deposits in foreign currency are fixed at 1.0 per cent. and apply to all banks. The criteria for classifying as a less than well capitalised bank are established by the internal rules of Kazakhstan Deposit Insurance Fund JSC, a wholly owned subsidiary of the NBK. The Bank currently does not fall within the criteria for being classified as "less than well capitalised bank."

Acquisition of Shares of Kazakhstan Banks

Shareholders of a Kazakhstan bank

Under the Banking Law, any individual or legal entity can be a shareholder of a Kazakhstan bank except as follows:

- a legal entity registered in an Offshore Jurisdiction (as defined below) cannot directly and/or indirectly own voting shares in a Kazakhstan bank, unless such Kazakhstan bank is a subsidiary of a non-resident bank and such non-resident bank has the minimum required credit rating issued by one of the rating agencies determined by the AFR; or
- an individual or a legal entity cannot own shares in a Kazakhstan bank exceeding a certain threshold established by the Banking Law without the prior written consent of the AFR (as described below).

General ownership restriction

Direct or indirect acquisition of shares in a Kazakhstan bank may require the prior written consent of the AFR if certain thresholds set out under the Banking Law are met or exceeded.

In particular, without obtaining the prior written consent of the AFR no person (whether independently or jointly with another person) can directly or indirectly:

- own, use or dispose 10.0 per cent. or more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by the respective Kazakhstan bank), and also
- have control or the ability to influence the decisions made by the respective Kazakhstan bank in the amount of 10.0 per cent. or more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by the respective Kazakhstan bank).

This requirement, among other things, does not apply to the state or the national managing holding, an organisation specializing in improving the quality of loan portfolios of second-tier banks, subsidiaries of the NBK, and a single accumulative pension fund if it owns 10.0 per cent. or more of a Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank) at the expense of pension assets.

If a person acquires (whether independently or jointly with another person), directly or indirectly, 10.0 per cent. or more of the voting shares of a bank without obtaining the prior written consent of the AFR, the AFR has the right to apply the supervisory response measures envisaged by the Banking Law, which includes, among others, the requirement for the sale of shares in a bank by the respective person within a period not exceeding six months. In addition, exercising a right to vote at a general meeting of shareholders without the relevant AFR consent may be subject to a legal challenge by the AFR or any other interested party of the legality of the general meeting and any decision taken at such general meeting of shareholders.

A person who has acquired 10.0 per cent. or more of the voting shares of a Kazakhstan bank is considered its affiliate and must disclose its identity to the respective Kazakhstan bank in the manner prescribed by the law. Information about the identity of an affiliate is publicly available. The owner of 10.0 per cent. or more of the voting shares in a Kazakhstan bank also assumes certain obligations, including the obligation to support the respective bank in remedying any financial problems it may incur (primarily through providing equity capital or subordinated debt), an obligation to obtain a credit rating and ongoing reporting obligations.

The Banking Law also provides for such terms as "Major Participant" and "Bank Holding" in relation to shareholders of a Kazakhstan bank.

Major Participant status

Under the Banking Law, an individual or a legal entity (except for, among others, the state, the national managing holding, an organisation specializing in improving the quality of credit portfolios of Second- Tier Banks and subsidiaries of the NBK), which (whether independently or jointly with another person):

- may directly or indirectly own 10.0 per cent. or more of placed shares of a Kazakhstan bank (excluding preferred shares and shares redeemed by a Kazakhstan bank);
- may directly or indirectly be able to vote with 10.0 per cent. or more of the Kazakhstan bank's voting shares; or
- may influence the decisions taken by the Kazakhstan bank by virtue of a contract or otherwise,

will be deemed to be a major participant of a Kazakhstan bank (the "**Major Participant**") and will need to obtain the prior written consent of the AFR before acquiring such status.

Bank Holding status

Under the Banking Law, a legal entity (except for, among others, the state, the national managing holding, an organisation specializing in improving the quality of credit portfolios of second-tier banks and subsidiaries of the NBK), which (whether independently or jointly with another person):

- may directly or indirectly own 25.0 per cent. or more of the Kazakhstan bank's placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank);

- may directly or indirectly be able to vote with 25.0 per cent. or more of the Kazakhstan bank's voting shares; or
- may determine the decisions taken by the Kazakhstan bank, by virtue of a contract or otherwise, or have control,

will be deemed to be a bank holding of a Kazakhstan bank (a "**Bank Holding**") and will need to obtain the prior written consent of the AFR before acquiring such status.

Where a foreign legal entity directly holds 25.0 per cent. or more of the placed shares (excluding preferred shares and shares redeemed by a Kazakhstan bank) of a Kazakhstan bank, or has the ability to vote directly with 25.0 per cent. or more of the Kazakhstan bank's voting shares, such foreign legal entity must be a financial organisation having a minimum required rating and subject to consolidated supervision in its country of residence.

The Banking Law sets forth a list of activities permitted for a Bank Holding. Such permitted activities include, among others:

- establishment or acquiring shares by a Bank Holding of certain legal entities, including, (i) financial organisations, (ii) organisations engaged in development, implementation and support of software used by financial organisations, (iii) legal entities-non-residents of the Republic of Kazakhstan having the status of banks, insurance organisations, pension funds, professional participants in the securities market, (iv) organisations providing services to enable transactions between financial institutions or issuers and consumers of financial services using information system via the Internet;
- acquiring the bonds of, among others: (i) international financial organisations, including, Asian Development Bank, Eurasian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation, (ii) bonds that meet the requirements established by the NBK, such as bonds issued by the Ministry of Finance of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan or local executive bodies of the Republic of Kazakhstan, bonds of foreign issuers having S&P rating not lower than "B" (or equivalent Fitch or Moody's rating), and bonds issued by the governments of foreign countries having S&P sovereign rating of at least "BBB-" (or equivalent Fitch or Moody's rating), (iii) own bonds of a Bank Holding and bonds issued by subsidiaries of the Bank Holding that are guaranteed by the Bank Holding;
- acquiring assets from a person not associated with the Bank Holding by special relations for the Bank Holding's own needs;
- providing consulting services on issues related to financial activities;
- sale of own assets.

The limitations established by the Banking Law in relation to permitted activities do not apply to:

(1) a Bank Holding that indirectly own the shares of the bank through ownership of shares of a Bank Holding-resident of Kazakhstan that directly owns the shares of the bank;
(2) a Bank Holding-non-resident of Kazakhstan that (i) has S&P rating not lower than "A" (or equivalent Fitch or Moody's rating) or (ii) the state of residence of such Bank Holding has an agreement with AFR (or NBK) on the exchange of information, and the Bank Holding has the minimum required rating of one of the rating agencies.

Consent of the AFR

Under the Banking Law, the AFR's consent for a Major Participant or Bank Holding status is issued by the AFR within 50 business days after the relevant application is submitted to the AFR subject to the provision of required documents and absence of grounds for the AFR's refusal to issue the consent established by the Banking Law, which include, among others:

- unstable financial condition of the applicant;

- breach of requirements of Kazakhstan competition regulations as a result of acquiring the Major Participant or Bank Holding status;
- potential deterioration of financial condition of the bank;
- inefficiency of the provided recapitalisation plan in the case of deterioration of a bank's financial condition; and
- lack of impeccable business reputation of an applicant who is an individual or the managerial personnel of an applicant which is a legal entity.

Minimum credit rating requirement

Non-resident legal entities may obtain the consent of the AFR to acquire the status of a Bank Holding or a Major Participant if such non-resident legal entities or their parent companies meet a minimum required credit rating determined by the AFR.

This requirement does not apply to: (i) a legal entity-non-resident of Kazakhstan that intends to indirectly own 10 or more percent of the bank's issued shares through ownership of shares of a legal entity-non-resident of Kazakhstan, which is a major participant in the bank, directly owning 10 or more percent of the bank's issued shares and having the minimum required rating, and (ii) cases of acquisition by a non-resident financial organisation of Kazakhstan of 100.0 per cent. of the shares of a resident bank of Kazakhstan from JSC NMH Baiterek.

Offshore Jurisdictions prohibition

In accordance with Article 17(5) of the Banking Law, legal entities registered in any of the Offshore Jurisdictions (as listed below) cannot directly or indirectly own, use, or dispose of voting shares of a Kazakhstan resident bank, unless such Kazakhstan resident bank is a subsidiary of a non-resident bank and such non-resident bank has the minimum required rating of one of the rating agencies determined by the AFR.

The exact list of Offshore Jurisdictions is determined by the AFR. The following are currently Offshore Jurisdictions: Principality of Andorra; State of Antigua and Barbuda; Commonwealth of the Bahamas; Barbados State; State of Belize; The state of Brunei Darussalam; Republic of Vanuatu; Republic of Guatemala; State of Grenada; Republic of Djibouti; Dominican Republic; the Canary Islands (Spain); Macau Special Administrative Region (People's Republic of China); Federal Islamic Republic of Comoros; Republic of Costa Rica; Labuan enclave (Malaysia); Republic of Liberia; Madeira Islands (Portugal); Republic of Maldives; Republic of Malta; Republic of Marshall Islands; Union of Myanmar; Republic of Nauru; Aruba and the dependent territories of the Antilles (Netherlands); Federal Republic of Nigeria; Cook Islands and Niue (New Zealand); Republic of Palau; Republic of Panama; Independent State of Samoa; Republic of Seychelles; State of Saint Vincent and the Grenadines; Federation of Saint Kitts and Nevis; State of Saint Lucia; Anguilla Islands, Bermuda, British Virgin Islands, Gibraltar, Cayman Islands, Montserrat Island, Turks and Caicos Islands, the Channel Islands of Sark and Alderney, South Georgia Island, South Sandwich Islands and Chagos Island (United Kingdom); U.S. Virgin Islands, Wyoming, Guam, the Commonwealth of Puerto Rico (United States); Kingdom of Tonga; Republic of the Philippines; Republic of Montenegro; Democratic Republic of Sri Lanka; United Republic of Tanzania; Commonwealth of Dominica; Cooperative Republic of Guyana; Lebanese Republic; Islamic Republic of Mauritania; Mariana Islands; City of Tangier (Kingdom of Morocco); Republic of Suriname; Republic of Trinidad and Tobago; Sovereign Democratic Republic of Fiji; Kerguelen Islands, French Guiana and French Polynesia (France); and Jamaica.

Financial Stability

Under the Banking Law, in the event of a breach by a bank of capital adequacy or liquidity ratios, or two or more breaches by a bank in any 12-month period of any other prudential or other mandatory requirements, the Kazakhstan government, based on the proposal of the AFR, may acquire, either directly or through a national management holding company, the issued shares of any bank in Kazakhstan to the extent necessary (but not less than 10.0 per cent. of the total amount of placed shares of such bank, including those to be acquired by the Kazakhstan government or the national management holding company) to improve such bank's financial

condition and ensure compliance with prudential or other mandatory requirements. If all authorised shares are outstanding or the number of unplaced or treasury shares is insufficient for the acquisition, the Kazakhstan government may approve the increase of the number of authorised shares of the bank, the number of shares to be placed in favour of the Kazakhstan government and the placement price. The Banking Law provides that the management and shareholders of an affected bank are not granted any right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the national management holding company is authorised to appoint no more than 30.0 per cent. of the members of the board of directors and the management board of the affected bank.

The Kazakhstan government or the national management holding company must sell the acquired shares by way of direct sale or through the stock exchange in case of improvement to the financial condition of the bank.

If a bank's liabilities exceed its assets, the AFR may buy out shares of such bank subject to the consequent sale of the shares to an investor guaranteeing improvement of the bank's financial condition. The buyout is carried out under the AFR's decision at the price determined by the AFR taking into account the ratio of the bank's assets to its liabilities as at the date of the AFR's decision. The shares are subsequently sold at the price the AFR bought the shares from the original shareholder to the investor that complies with the requirements set out by the Banking Law on the shareholders of the bank. See "*—Acquisition of Shares of Kazakhstan Banks—Shareholders of a Kazakhstan bank*."

The main objectives of these regulations are to improve early detection mechanisms for risks in the financial system, provide powers to the Kazakhstan government and the AFR to acquire shares in commercial banks that face financial problems, and improve the overall condition of financial institutions in Kazakhstan.

Other Regulations

The Banking Law establishes an exhaustive list of activities allowed for a Bank Holding and lists the types of legal entities whose shares may be acquired by a bank or a Bank Holding.

Under the Banking Law, the AFR's consent is required for election or appointment of the managerial personnel of a bank and of a Bank Holding.

For consent purposes, managerial personnel of a bank includes head and members of the board of directors, head of the management board, their deputies, members of the management board, chief accountant, deputy chief accountant and other managers of a bank responsible for coordinating or monitoring the activities of more than one structural unit of the bank and authorised to sign documents on the basis of which banking operations are conducted.

The managerial personnel of a Bank Holding includes head of the board of directors, their deputies, members of the board of directors, head of the management board, their deputies, members of the management board, chief accountant, deputy chief accountant and other managers of a Bank Holding responsible for coordinating or monitoring the activities of subsidiaries or organisations where a Bank Holding holds (directly or indirectly) significant participation in the capital of such organisation (i.e., holds 20.0 per cent. and more of voting shares (participatory interests in the charter capital) (whether independently or jointly with another legal entity)).

Management of Distressed Assets

The Banking Law allows a bank, upon receipt of the consent of the AFR, to establish or acquire a subsidiary organisation acquiring distressed assets of the parent bank. The Bank has established two subsidiary organisations acquiring distressed assets of the parent bank, OUSA Alliance LLP and OUSA-F LLP, established 9 February 2013 and 19 August 2015 respectively, to manage the Bank's distressed assets.

The procedure for a subsidiary acquiring distressed assets of the parent bank, the period during which the subsidiary manages the acquired distressed assets, as well as the requirements for such assets are established by the AFR. Such subsidiary organisation may conduct only those activities related to the management of distressed assets which are in line with the regulations of the AFR.

A subsidiary organisation acquiring distressed assets is obliged to transfer the money received from its activities to the parent bank, except for amounts of expenses related to the implementation of the activities related to acquisition and disposal of distressed assets under the Banking Law.

Authority of the AFR under the Banking Law

Under the Banking Law, the AFR may apply a number of supervisory response measures with respect to banks (including second-tier banks in Kazakhstan such as the Bank), Bank Holdings, the managerial personnel of the respective bank and the Bank Holding, their respective Major Participants, a bank conglomerate or organisations included in a bank conglomerate in order to protect the interests of depositors, creditors, clients and correspondents of banks, ensure the financial stability of banks and prevent deterioration of financial conditions and increasing risks related to bank's banking activities.

Supervisory Response Measures

The Banking Law allows the AFR to apply the following supervisory response measures:

- recommended supervisory response measures;
- measures for improvement of financial condition and minimisation of risks; and
- compulsory measures of supervisory response.

Recommended supervisory response measures

"Recommended supervisory response measures" are taken by the AFR when deficiencies, risks or violations in the activities of banks, organisations engaged in certain types of banking operations, Major Participants, Bank Holdings, the bank conglomerate or organisations included in the bank conglomerate do not have material impact on financial stability and do not threaten their financial condition and / or interests of the bank's depositors. Such measures include making a notification on discovered instances of non-compliance to a bank's governing bodies, Major Participants, Bank Holdings or bank conglomerate member entity, recommendation on mitigation of revealed instances of non-compliance and warning on implementation of other supervisory response measures.

Measures on improvement of financial conditions and minimisation of risks

The Banking Law allows the AFR to apply a number of measures aimed at the improvement of the financial conditions and minimisation of risks of the banks, organisations engaged in certain types of banking operations, Major Participants, Bank Holdings, the bank conglomerate or organisations included in the bank conglomerate. In particular, Article 46 of the Banking Law allows the AFR to apply, among other things, the following measures aimed at the improvement of financial condition and minimisation of risks, including:

- requiring that the bank maintains the capital adequacy ratios or liquidity ratios above the minimum levels established by the NBK;
- removing the managerial personnel of a bank;
- suspending or restricting carrying out certain types of banking and other operations, carrying out certain types of transactions or establishing a special procedure for their implementation;
- restructuring of assets or bank liabilities, including changes in their structure;
- reduction of expenses, including through the termination or limitation of additional hiring of employees, closure of branches and representative offices, subsidiaries, restriction of remuneration and other types of material incentives for top management;
- suspension or restriction of investments in certain types of assets or the establishment of their special order of implementation;
- forming provisions or reserves according to international financial reporting standards;

- restricting operations with persons connected with a bank by special relations; and
- suspending accrual or payment of dividends on shares or unlimited financial instruments.

The AFR can apply the above compulsory measures by way of:

- issuing mandatory written instructions to a bank, an organisation engaged in certain types of banking operations, a Major Participant, a Bank Holding, a bank conglomerate or an organisation included in the bank conglomerate, setting out compulsory measures to be taken by such an entity or requiring develops an action plan to restore such financial condition;
- entering into an agreement with a bank, an organisation engaged in certain types of banking operations, a Major Participant, a Bank Holding, a bank conglomerate or an organisation included in the bank conglomerate, setting out measures to be taken by such an entity to remedy any identified breaches.

While not being directly named "compulsory" these measures on improvement of financial conditions and minimisation of risks are effectively compulsory in nature.

Compulsory measures of supervisory response

The Banking Law sets out a list of compulsory measures of supervisory response. AFR applies compulsory measures of supervisory response to Major Participants and Bank Holdings, as well as organisations that are part of a banking conglomerate if, among others:

- the use of other supervisory response measures cannot ensure the protection of the interests of depositors and creditors, the financial stability of a bank, and the minimisation of risks associated with the activities of a bank; or
- the actions or inaction of a Bank Holding or a Major Participant could lead to a further deterioration in the financial position of the bank or Bank Holding.

If a bank's shareholders include a Major Participant or a Bank Holding, the AFR may require such shareholders to decrease their direct or indirect ownership of the relevant bank to less than 10.0 per cent. of the bank's voting shares in the case of a Major Participant and less than 25.0 per cent. of the bank's voting shares in the case of a Bank Holding. Such measures can be applied to a bank's shareholder when, for example, the bank's shareholders which are Major Participants or a Bank Holding are in an unstable financial condition, which may negatively affect the bank concerned.

AFR may apply measures on the improvement of financial conditions, the minimisation of risks, and compulsory measures of supervisory response when it discovers any deficiencies, risks or violations including based on its justified judgment.

Bank with an Unstable Financial Situation

The AFR can classify a bank as a bank with an unstable financial situation threatening the interests of its depositors and creditors or threatening the stability of the financial system if certain criteria are met by the bank. Such criteria, among others, include situations when the bank's capital adequacy ratios fall below the minimum levels, or the bank fails to fulfil monetary obligations and other claims of its creditors due to the absence or insufficiency of money in the bank. The AFR may apply any supervisory response measures to the bank with an unstable financial situation. If a bank's unstable financial situation is not remedied within the period established by the AFR, the AFR may qualify this bank as an insolvent bank and apply certain measures, such as, for example:

- requiring the bank to carry out compulsory restructuring of its liabilities;
- requiring the bank to transfer all or part of its assets and liabilities to another bank(s);
- creating a stabilisation bank, and requiring the bank to transfer all or part of its assets and liabilities to such stabilisation bank; or

- deprivation of a license to conduct banking and other operations with the subsequent forced liquidation of the insolvent bank.

Sanctions

The AFR has the right to apply to the bank, the Major Participant, the Bank Holding, organisations that are part of a banking conglomerate, as well as organisations carrying out certain types of banking operations, sanctions (regardless of the supervisory response measures applied to them earlier, if any) in the form of suspension or deprivation of a bank's license or annexes to a bank's license for all or certain banking operations on the grounds provided for in Article 48 of the Banking Law.

Grounds for the suspension or deprivation of a bank's license may include, for example, conducting banking operations with systematic (three or more instances within 12 consecutive calendar months) violations of applicable legislation or engaging in activities prohibited or restricted for banks.

Regulation of Payment Services

The Law of the Republic of Kazakhstan No. 11-VI "On Payments and Payment Systems" dated 26 July 2016, as amended (the "**Payment Systems Law**"), is the main law establishing the legal framework for payments and payment services in Kazakhstan. It sets forth the list of payment instruments, payments processing procedures and requirements with respect to payment services providers. Under the Payment Systems Law, it is prohibited to provide payment services in Kazakhstan without a corresponding license from the AFR or without registration with the NBK. A bank may provide payment services under the Payment Systems Law if it holds a license from the AFR for opening and maintaining clients' bank accounts and performing transfer operations.

Under the Payment Systems Law, the NBK determines rules and procedures for maintaining bank accounts, forms of payment documents, and terms and conditions for payments processing. In particular, the Rules for the Opening, Maintaining and Closing of Clients' Bank Accounts approved by the Resolution of the Management Board of the NBK No. 207 dated 31 August 2016, as amended, set forth, among other things, know-your-client procedures, the legal framework for bank account agreements to be entered into with clients, and a unified bank account number structure. The Rules for Making Non-Cash Payments or Money Transfers in the Republic of Kazakhstan approved by the Resolution of the Management Board of the NBK No. 208 dated 31 August 2016, as amended, set forth requirements for payment documents and terms and conditions of payment processing.

The Anti-Money Laundering Law

The Law of the Republic of Kazakhstan No. 191-IV dated 28 August 2009 "On Countering the Legalisation (Laundering) of Criminally Obtained Income and the Financing of Terrorism", as amended (the "**Anti-Money Laundering Law**"), covers a broad scope of persons (including certain types of companies and notaries) which can be designated as financial monitoring subjects and imposes a number of requirements that these persons have to comply with, including, among other things, the development of appropriate internal standards and procedures, client identification, control over client operations and the reporting of suspicious operations. In particular, banks are to be recognised as financial monitoring subjects.

Under the Anti-Money Laundering Law, one of the main obligations imposed on financial monitoring subjects is the appropriate identification of clients and verification of certain operations, including:

- payments and money transfers made by a client in favour of another person on a non-repayable basis, in cash or non-cash form (if the transaction amount is equal to or exceeds KZT7 million);

- certain transactions where one of the counterparties is a legal entity registered, or an individual domiciled, in an offshore jurisdiction, or has a bank account in such jurisdiction (if the transaction amount is equal to or exceeds KZT5 million);

- transfer of money to or from a bank account or deposit opened in a foreign jurisdiction where such bank account or deposit has been opened for an anonymous person (if the transaction amount is equal to or exceeds KZT5 million); and

- transactions conducted by a legal entity existing for less than three months (if the transaction amount is equal to or exceeds KZT10 million).

Under the Anti-Money Laundering Law, suspicious transactions must be reported immediately by financial monitoring subjects to the Financial Monitoring Agency of the Republic of Kazakhstan (the "**Agency**"), which has the authority to order suspension of suspicious transactions by the financial monitoring subjects, and in any case before the suspicious transaction has been processed. Transactions with money or other property that were not recognised as suspicious before they were processed must be submitted by the financial monitoring subject to the Agency no later than twenty-four hours after the transaction is recognised as suspicious.

In addition, financial monitoring subjects must carry out certain actions if an operation involves an individual or organisation known to participate in extremist or terrorist activities. If the officer of a financial monitoring subject suspects that an operation is conducted to legalise any funds received from illegal activities, such operation must be reported whether or not it is qualified as suspicious. Financial monitoring subjects must not inform their clients that transactions are being reported and bear no liability for damages to their clients that may be caused by the suspension of the transactions or the refusal to process them.

Currency Control

In accordance with the Currency Control Law, the objectives of currency regulation and control are to promote the stability of the balance of payments, ensure the stability of the domestic foreign exchange market and the economic security, and ensure compliance by residents and non-residents with the foreign exchange legislation of Kazakhstan when conducting foreign exchange transactions.

Second-tier banks that conduct foreign exchange transactions, including those on behalf of clients, are considered authorised banks and agents of currency control.

Authorised banks with the relevant license are entitled to sell and/or purchase foreign currency both within the Republic of Kazakhstan and abroad. Legal entities and branches (representative offices) of foreign organisations conduct non-cash purchases and/or sales of foreign currency in the Republic of Kazakhstan through bank accounts held with authorised banks.

To organise and monitor foreign exchange transactions, authorised banks assign registration numbers to foreign exchange contracts in cases stipulated by the Currency Control Law, where settlements are conducted through accounts with authorised banks.

Authorised banks provide the NBK with information on the sources of demand and supply in the domestic foreign exchange market of Kazakhstan, as well as the purposes for which the purchased foreign currency is used. Additionally, authorised banks submit notifications to the NBK on conducted foreign exchange transactions, including those performed on behalf of clients.

The Kazakhstan government, based on a joint recommendation from the NBK and with other relevant state authorities, is entitled to introduce the payment balance protection measures in the event of a serious threat to the stability of (i) the payment balance, (ii) the internal currency market and (iii) the economic security of Kazakhstan – provided that this situation cannot be resolved by other economic policy measures. The payment balance protection measures must comply with the international treaties ratified by the Republic of Kazakhstan, if and when such treaties entered into within the framework of participation in international associations (organisations) e.g., Eurasian Economic Community. Such measures must have temporary effect and be cancelled when the circumstances that led to their introduction are eliminated.

See – "*Risk Factors – Risks relating to Kazakhstan – Kazakhstan's Currency Control Law allows the Government to introduce currency control measures which may hinder the stability and growth of Kazakhstan's economy*".

Personal Data Protection

The purpose of the Law of the Republic of Kazakhstan No. 94-V "On Personal Data and Its Protection" dated 21 May 2013, as amended (the "**Personal Data Law**") is to ensure the protection of the rights and freedoms of individuals during the collection and processing of their personal data. In particular, the Personal Data Law

requires that an individual must consent to the processing (i.e., any action on the accumulation, storage, modification, addition, use, distribution, depersonalisation, blocking and destruction) of their personal data and must provide such consent prior to the personal data being processed. Under the Personal Data Law, personal data processing consent may be provided in several forms, most commonly in writing. Cross-border transfer of data is permitted subject to the consent of the subject of personal data to this.

Under the Personal Data Law, the storage of personal data must be carried out by the owners or operators of personal data bases, as well as by third party which related through circumstances or has contractual relationships with such owners or operators, in the database which is physically located and stored within the territory of the Republic of Kazakhstan.

Under the Personal Data Law, owners and operators of personal data databases must ensure security of personal data through legal, technical and organisational measures and in accordance with the requirements set forth by the Law of the Republic of Kazakhstan No. 418-V "On Informatisation" dated 24 November 2015, as amended.

Employment

Employment matters in Kazakhstan are governed mainly by the Labour Code of the Republic of Kazakhstan No. 414-V dated 23 November 2015, as amended (the "**Labour Code**"). The Labour Code sets out minimum rights of employees that must be complied with by any employer in Kazakhstan. Employment is required to be documented by an employment agreement that may be entered into either for an indefinite term or a fixed term (generally not less than one year). Foreigners may be employed in Kazakhstan equally as Kazakhstan citizens. However, as a general rule, a work permit is required prior to employment of foreign citizens. The permits are issued within the annual quota limits for employing foreigners in Kazakhstan established by the Ministry of Labour and Social Protection of the Republic of Kazakhstan.

Under the Labour Code, employees are granted certain rights and protections. For instance, a regular duration of working hours must not exceed forty hours a week. Overtime work must not exceed two hours a day for each employee and must be compensated. The total duration of overtime work must not exceed twelve hours a month and one hundred and twenty hours a year. The paid annual leave must be at least twenty-four calendar days.

An employment agreement may be terminated, among others, by mutual consent of the employer and the employee, upon expiration of the employment agreement, at the employee's initiative, or at the employer's initiative. Unilateral early termination of employment agreements by an employer is possible only for certain reasons expressly outlined in the Labour Code, and generally requires a prior termination notice and compensation. The Labour Code establishes cases when early termination of employment agreements by an employer is prohibited, including during the period of temporary disability of employee and during the annual leave, as well as in relation to pregnant women, women with children under the age of three and single mothers of children under the age of 14 or children with disabilities under the age of eighteen.

Entering into a collective bargaining agreement is allowed by the Labour Code but is not compulsory. An employer must maintain a compulsory occupational accident insurance and social insurance.

Consumer Protection

Consumer protection in Kazakhstan is designed to safeguard the rights and interests of consumers and is regulated by Law of the Republic of Kazakhstan No. 274-IV "On Protection of Consumer Rights" dated 4 May 2010, as amended (the "**Consumer Protection Law**"). The Consumer Protection Law guarantees the rights of consumers to, among others, have accurate and complete information about goods, works or services, as well as about the seller or producer, acquire goods, works or services that meet the required quality and safety standards, free choice of goods, works or services, exchange and return of goods, compensation for personal injury or property damages due to defects in goods, works or services.

While the Consumer Protection Law mostly regulates the activity of sellers or producers of goods and service provides, it also imposes certain obligations on e-trading platforms, such as the e-Commerce business of our Marketplace Platform. Under the Consumer Protection Law, e-trading platforms must adopt adequate internal procedures targeted at the prevention of inappropriate actions of sellers and provision of false information for

the purposes of preventing illegal trade. E-trading platforms must also ensure the use of secure communication channels in their operations.

Commerce Regulation

As the Bank operates an e-marketplace, it is subject to e-commerce regulation in Kazakhstan under Law of the Republic of Kazakhstan No. 544-II "On Regulation of Commerce" dated 12 April 2004. Under this law, the infrastructure of e-commerce via e-trading platforms must provide for the user terms of service, electronic payment options for goods, works and services using banking payment systems, delivery options for goods or services, settlement of payments between sellers and purchasers and possibility of entering into contracts electronically.

An e-trading platform must also develop procedures for ensuring the integrity and confidentiality of information. An e-trading platform generally must not disclose information on transactions and user data, transfer electronic documents to third parties, electronic messages or their copies and change the content of electronic documents or electronic messages or the procedure for their use.

Advertising Regulation

Advertising regulations in Kazakhstan aim to ensure fair and transparent practices, protect consumers, and maintain ethical standards in advertising. The Law of the Republic of Kazakhstan No. 508-II dated 19 December 2003 "On Advertising", as amended (the "**Advertising Law**"), defines advertising as information distributed or placed in any form by any means, intended for an undefined audience and designed to form or maintain interest in an individual or legal entity, goods, trademarks or services and facilitate the sale thereof.

Advertising regulations set out general rules and requirements for advertising, such as that:

- advertising, regardless of the form or method of distribution or placement, including in the field of e-commerce, must be truthful and recognisable;
- advertising must be distributed in Kazakhstan in the Kazakh language, and at the discretion of the advertiser also in Russian or other languages;
- advertising of goods, works and services prohibited for production and sale is not allowed;
- if the activity carried out by the advertiser is subject to licensing, then advertising of relevant goods, works and services, as well as advertising of the advertiser shall indicate the number of the license and the name of the authorised body that issued the license;
- in advertising of goods, works and services sold on the territory of Kazakhstan the price, tariffs or rates must be indicated in tenge;
- advertising must not be used to promote or agitate changes in the constitutional order, violation of the integrity of the Republic of Kazakhstan, undermining the security of the state, war, social, racial, national, religious, class and tribal superiority, the cult of cruelty and violence, pornography, as well as dissemination of information constituting state secrets of Kazakhstan and other secrets protected by law;
- advertising must not cause panic in society, induce individuals to aggression, as well as to other illegal actions or inaction;
- false, inaccurate, misleading, unethical, hidden advertising is prohibited.

When producing, distributing, advertising financial (including banking), insurance, investment and other services related to the use of money of individuals and legal entities, securities, as well as secured digital assets, it is prohibited, among others, to:

- provide information in advertising that is not directly related to the advertised services, securities or secured digital assets;

- guarantee income and the amount of dividends on common shares or the receipt of income from secured digital assets;
- advertise securities without registration of their issue, as well as in the case of suspension or recognition of the issue of securities invalid;
- provide any guarantees or proposals on the future profitability of activities, including by announcing an increase in the market value of securities or secured digital assets; and
- conceal any material terms stipulated in the contracts.

Moreover, additional requirements for advertising banking products are directly provided by the Banking Law which stipulates that:

- banks are prohibited from advertising their activities if such advertising does not reflect the actual situation on the day of its publication;
- a bank or an organisation engaging in certain types of banking operations, when distributing and/or placing advertisements that contain information about interest rates for a bank loan or deposit, is obliged to indicate the interest rate in a reliable, annual, effective, comparable calculation;
- when distributing advertisements containing information on interest rates for a bank loan or deposit, including their publication, the annual effective interest rate must be stated in numerical form, using the same font size and style as other interest rates. It is not permitted to use a smaller font size for the annual effective interest rate than that used for other information in the advertisement.

AFR is entitled to require the bank to make changes to any advertisement that does not correspond to reality, to discontinue it, or to publish a correction/retraction.

If this requirement is not fulfilled within the period established by the AFR, the AFR is entitled to publish information regarding the inaccuracy of the data contained in the advertisement or to correct such data at the expense of the bank that published the advertisement.

Legal entities that do not hold a license from the AFR or the NBK for conducting banking operations are prohibited from advertising the services they provide if those services fall under the category of banking operations.

In addition to the Advertising Law and the Banking Law, the Resolution of the Board of the NBK No. 136 "On the Approval of the Rules for Providing Banking Services and Considering Customer Appeals by Banks and Organisations Engaged in Certain Types of Banking Operations Arising in the Process of Providing Banking Services" dated 28 July 2017, which regulates the rules for the provision of banking services, establishes that advertising for bank loans (except for advertising on radio and television) must be accompanied by a statement regarding the responsibility of an individual borrower in the event of failure to fulfill obligations under a bank loan agreement.

This statement (advertisement) must include information about the bank's rights to charge penalty fees (fines, penalties), seize funds from the borrower's bank accounts, transfer the debt for pre-trial collection and settlement to a collection agency, file a claim in court; and any other information provided for in the bank's internal regulations.

Bankruptcy of Individuals

On December 30, 2022, new Law of the Republic of Kazakhstan No. 178-VII "On Restoration of Solvency and Bankruptcy of Citizens of the Republic of Kazakhstan" (the "**Citizens Bankruptcy Law**") was signed by the President introducing for the first time the concept of bankruptcy of individuals that are not individual entrepreneurs with the objective to reduce the debt burden of citizens. The Citizens Bankruptcy Law sets outs court and out-of-court bankruptcy procedures, as well as procedures for restoration of individuals' solvency. The application for bankruptcy or restoration of solvency can only be filed by an individual and not their creditors.

Out-of-court bankruptcy is available only if the creditor is a bank, a branch of a foreign bank, a microfinance organisation or, in certain cases, a collection agency, only if the amount of debt does not exceed 1,600 monthly calculation index ("**MCI**") and subject to certain other conditions or if the term of non-fulfillment of obligations exceeds five years as at the date of the application submission. The application for an out-of-court bankruptcy must be filed through the specialised governmental web portal, and once the resolution on bankruptcy is published, obligations of the debtor are deemed terminated. In respect of debts exceeding 1,600 MCI and meeting certain other conditions, individuals are able to apply for court bankruptcy. The court procedure includes appointment of a financial receiver who, among others, lists inventory of the debtor's assets, coordinates with the Ministry of Finance the publication on the Ministry's website of commencement of court procedure, collection of creditors' claims, sale of the debtor's assets, settlement of creditors' claims, and issues a final report which includes a statement on whether there are grounds for termination of the debtor's obligations. If the court is satisfied, it will pass a decision and once the decision is entered into force, obligations of the debtor are deemed terminated.

An individual declared bankrupt is barred from getting a loan from banks and microfinance institutions for five years from the date of completion of the bankruptcy procedure and declaration of bankruptcy. In addition, a bankrupt individual is prohibited from providing collateral in the form of a pledge, guarantee or surety under any bank loan and microcredit agreement for the same period.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, which, subject to amendment, will be endorsed on each Definitive Note and will (subject to the provisions thereof) apply to the Global Note.

The U.S.$400,000,000 7.75 per cent. notes due 2030 (the "**Notes**") which expression includes any further Notes issued pursuant to Condition 16) of "ForteBank" JSC (the "**Issuer**") were authorised by written resolutions of the Board of Directors of the Issuer dated 15 January 2025 and 28 January 2025. The Notes are constituted by a trust deed to be dated 4 February 2025 (the "**Trust Deed**") made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being who are the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Issuer will enter into a paying agency agreement, to be dated 4 February 2025 (the "**Paying Agency Agreement**") with the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**" and, together with any other paying agents appointed under the Paying Agency Agreement, the "**Paying Agents**") and The Bank of New York Mellon SA/NV, Dublin Branch as registrar and transfer agent (the "**Registrar**" and the "**Transfer Agent**"). The Registrar, the Paying Agents and the Transfer Agent are together referred to herein as the "**Agents**", which expression includes any successor or additional paying and transfer agents or registrars appointed from time to time in connection with the Notes.

Copies of the Trust Deed and the Paying Agency Agreement are available for inspection electronically from the Issuer or the Principal Paying Agent. The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Paying Agency Agreement applicable to them. Capitalised terms used but not defined in these Conditions shall have the respective meanings given to them in the Trust Deed.

1 Form and Denomination

The Notes are issued in registered form, without interest coupons attached, in denominations of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof ("**authorised denominations**"). Title to the Notes shall pass by registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The Notes are represented by registered definitive Notes ("**Definitive Notes**") and, save as provided in Condition 3(c), each Definitive Note shall represent the entire holding of Notes by the same holder.

2 Status

The Notes constitute direct, general, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may arise by mandatory operation of law and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 Register, Title and Transfers

(a) **Register:** The Registrar shall maintain the Register in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. The Register shall be kept at the specified office for the time being of the Registrar and shall record the names and addresses of the holders of the Notes, particulars of the Notes and all transfers and redemptions thereof. In these Conditions, the "**holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(b) **Title:** Title to the Notes will pass by and upon registration in the Register. The holder of each Note shall (except as otherwise required by a court of competent jurisdiction or applicable law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note) and no person shall be liable for so treating such holder.

(c) **Transfers:** Subject to Conditions 3(f) and 3(g) below, a holding of Notes may be transferred in whole or in part in an authorised denomination upon surrender (at the specified office of the Registrar or the Transfer Agent) of the relevant Definitive Note representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer endorsed thereon) (the "**Transfer Form**"), duly completed and executed, at the specified office of the Transfer Agent or of the Registrar, together with such evidence as the Transfer Agent or the Registrar may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of part only of a holding of Notes represented by one Definitive Note, a new Definitive Note shall be issued to the transferee in respect of the part transferred and a further new Definitive Note in respect of the balance of the holding not transferred shall be issued to the transferor. Neither the part transferred nor the balance not transferred may be less than the minimum authorised denomination. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Definitive Note representing the enlarged holding shall only be issued against surrender of the Definitive Note representing the existing holding. No transfer of a Note will be valid unless and until entered on the Register.

(d) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of a Noteholders' option in respect of, and a partial redemption of, a holding of Notes represented by a single Definitive Note, a new Definitive Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Definitive Notes shall be issued in respect of those Notes of that holding that have the same terms. New Definitive Notes shall only be issued against surrender of the existing Definitive Notes to the Registrar or the Transfer Agent.

(e) **Delivery of New Definitive Notes:** Each new Definitive Note to be issued pursuant to Condition 3(c) or 3(d) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Change of Control Put Option Notice (as defined in Condition 7(g)) and surrender of the existing Definitive Note(s). Delivery of the new Definitive Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Change of Control Put Option Notice or Definitive Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Change of Control Put Option Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Definitive Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 3(e), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).

(f) **Transfer or Exercise Free of Charge:** Definitive Notes, on transfer or exercise of an option and partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment by the person making such application for transfer or exercise of an option of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Transfer Agent may require).

(g) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Conditions 7(b), 7(c) and 7(d), (iii) after any such Note has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

(h) **Regulations concerning Transfer and Registration:** All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer and registration of Notes set out in Schedule 1 to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Agents (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be sent by the Registrar free of charge to any person who so requests and will be available at the specified offices of the Registrar and at the specified office of the Transfer Agent.

4 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Material Subsidiaries will create, or permit to arise or subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction (a "**Security Interest**") other than a Permitted Security Interest upon the whole or any part of its property, assets or revenues, present or future, to secure any Indebtedness, without in any such case at the same time or prior thereto securing the Notes equally and rateably therewith or have the benefit of such other arrangement as (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

5 Covenants

(a) **Regulatory Compliance**

(i) So long as any Note remains outstanding, the Issuer shall ensure that its total capital ratios comply at all times with the applicable regulations of the NBK as may be in effect from time to time.

(ii) The Issuer shall comply with all other financial and prudential ratios set by the NBK applicable to banks generally in Kazakhstan except where the failure to do so would not, individually or in the aggregate, have a Material Adverse Effect.

(b) **Restricted Payments:** So long as any Note remains outstanding, the Issuer will not, and will not permit any of its Subsidiaries, directly or indirectly, to make a Restricted Payment, unless at the time of and after giving effect to such Restricted Payment:

(i) no Event of Default shall have occurred and be continuing (or would result therefrom);

(ii) the aggregate amount of all such Restricted Payments made after the Issue Date would not exceed 100 per cent. of the Consolidated Net Profit (accrued on a cumulative basis during the period beginning on 31 December 2023 and ending on the last day of the most recent period for which consolidated financial information of the Issuer is available ending prior to the date of a Restricted Payment) determined by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c); and

(iii) such Restricted Payment would not result in the total capital adequacy ratio of the Issuer falling below 15 per cent.

(c) **Financial Statements etc.:** So long as any Note remains outstanding, the Issuer shall deliver to the Trustee:

(i) not later than 180 days after the end of the Issuer's financial year, copies (in English) of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period, and all such annual financial statements of the Issuer shall be accompanied by the audit report (in English) of the Auditors thereon; and

(ii) not later than 120 days after the end of (A) the first six months of each of the Issuer's financial years and (B) any other period for which the interim financial statements may be prepared in the sole discretion of the Issuer, copies (in English) of the Issuer's unaudited consolidated financial statements for such six-month period and any such other interim period (if applicable), prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period and all such financial statements of the Issuer shall be accompanied by the review report (in English) of the Auditors thereon;

in the case of each of (i) and (ii) above, together with a written notice in the form of an Officer's Certificate in the form set out in the Trust Deed stating whether since the date of the last certificate or, if none, the Issue Date an Event of Default or a Potential Event of Default shall have occurred and be continuing, describing all such Events of Default or Potential Events of Default and what action the Issuer is taking or proposes to take with respect thereto;

(iii) the Issuer shall also post such financial statements on its website within the time periods referred to in Condition 5(b)(i) or 5(b)(ii) above, as the case may be; and

(iv) so long as any of the Notes are restricted securities (as defined in Rule 144 under the Securities Act) and during any period during which the Issuer is not subject to the reporting requirements of the Exchange Act or exempt therefrom pursuant to Rule 12g3-2(b), the Issuer will furnish to any holder or beneficial owner of Notes initially offered and sold in the United States to Qualified Institutional Buyers pursuant to Rule 144A under the Securities Act, and to prospective purchasers in the United States designated by such holder or beneficial owners, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act

(d) **Limitation on Mergers:**

(i) So long as any Note remains outstanding, the Issuer shall not (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms may be construed under applicable Kazakh law) or undergo any other type of corporate reconstruction, or (y) in a single transaction or a series of related transactions, directly or indirectly, merge, consolidate, amalgamate or otherwise combine with or into another Person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer or the Group, to another Person, unless:

A. (i) the surviving or resulting entity or the transferee (the "**Successor Entity**") is the Issuer or, (ii) if not the Issuer, the Successor Entity (x) assumes all the obligations (if any) of the Issuer under the Notes and the Trust Deed, and (y) retains or succeeds to all of the rights and obligations of the Issuer under all of its material government permits, licenses, consents and authorisations; and

B. either the Successor Entity is an Acceptable Investor (as defined below) or such transaction(s) would not, individually or in the aggregate, have a Material Adverse Effect; and

C. if the Successor Entity is incorporated, domiciled or resident in a territory other than the Republic of Kazakhstan, undertakings or covenants are given in terms corresponding to the provisions of Condition 9, with the references to Republic of Kazakhstan replaced with references to the place of incorporation of such Successor Entity; and

D. immediately after such transaction(s), the Successor Entity certifies to the Trustee that the transaction complies with these Conditions (upon which certification the Trustee shall be entitled to rely without further enquiry and without liability to any person).

(ii) So long as any Note remains outstanding, the Issuer shall ensure that none of the Material Subsidiaries shall (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms may be construed under applicable law) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, merge, consolidate, amalgamate or otherwise combine with or into another Person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Material Subsidiary, unless:

A. (i) such Material Subsidiary is the Successor Entity or (ii) the Successor Entity (if not such Material Subsidiary) retains or succeeds to all of the rights and obligations of such Material Subsidiary under all of its material government permits, licenses, consents and authorisations (if any); and

B. such transaction(s) would not, individually or in the aggregate, have a Material Adverse Effect; and

C. immediately after such transaction(c), the Issuer (on behalf of the Successor Entity) certifies to the Trustee that the transaction complies with these Conditions (upon which certification the Trustee shall be entitled to rely without further enquiry and without liability to any person).

(iii) Notwithstanding the foregoing any Subsidiary of the Issuer may consolidate with, merge with or into, amalgamate or otherwise combine with or sell, assign, transfer, convey or otherwise dispose of all of its assets to the Issuer or another Subsidiary of the Issuer.

(e) **Asset Sales**

(i) So long as any Note remains outstanding, the Issuer shall not, and shall ensure that none of its Material Subsidiaries shall, directly or indirectly, consummate an Asset Sale, unless:

A. the terms of such Asset Sale are on arm's length terms for Fair Market Value; and

B. the Issuer delivers to the Trustee a resolution of the appropriate decision-making body of the Issuer or the relevant Material Subsidiary (in the English language) along with an Officer's Certificate certifying that such Asset Sale complies with this Condition 5(e); and

(ii) The Trustee may rely on such resolution and such Officer's Certificate referred to in this Condition 5(e) without further enquiry and will not be responsible or liable to any person for so doing.

(f) **Affiliate Transactions:** So long as any Note remains outstanding, the Issuer will not, and will not permit any of its Material Subsidiaries to, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer or such Material Subsidiary (an "**Affiliate Transaction**") unless:

(i) the terms of the Affiliate Transaction are no less favourable to the Issuer or such Material Subsidiary than those that could be obtained at the time of the Affiliate Transaction in a comparable arm's-length transaction with a Person who is not an Affiliate of the Issuer or such Material Subsidiary; and

(ii) the Issuer delivers to the Trustee with respect to any Affiliate Transaction, or series of related Affiliate Transactions involving aggregate consideration in excess of 2 per cent.

of the consolidated total assets of the Issuer (or its equivalent in other currencies) (as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c), a resolution of the Issuer's Board of Directors (in the English language) along with an Officer's Certificate certifying that such Affiliate Transaction complies with this Condition 5(f) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Issuer's Board of Directors or such Material Subsidiary's Board of Directors (or, in the event there is only one disinterested member of the Issuer's or Material Subsidiary's Board of Directors, approved by such disinterested member); provided, however, that the provisions of these Conditions 5(f)(i) and 5(f)(ii) shall not apply to:

A. any employment agreement, employee compensation arrangements, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, consultants and employees of the Issuer or any of its Material Subsidiaries;

B. transactions between or among or solely for the benefit of the Issuer and/or its Subsidiaries;

C. any issuance of Capital Stock of the Issuer to Affiliates of the Issuer or the receipt of capital contributions by the Issuer from Affiliates of the Issuer;

D. Restricted Payments permitted to be made pursuant to Condition 5(b);

E. agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are, on the whole, no less favourable to the Issuer and its Material Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the Issue Date.

(iii) The Trustee may rely on such resolution and such Officer's Certificate referred to in this Condition 5(f) without further enquiry and will not be responsible or liable to any person for so doing.

(g) **Maintenance of Authorisations**: So long as any Note remains outstanding, the Issuer shall, and shall ensure that each of its Material Subsidiaries will, take all action which may be necessary to ensure the obtaining and continuance of, all consents, licences, approvals and authorisations required in or by the laws of the Republic of Kazakhstan or any relevant jurisdiction or Agency having regulatory authority in respect of the Issuer or any Material Subsidiary of the Issuer in order to carry out its business activities.

6 Interest

The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 4 February and 4 August in each year (each an "**Interest Payment Date**"), commencing on 4 August 2025 and will amount to U.S.$38.75 per Calculation Amount (as defined below). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Definitive Note representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and Purchase

(a) **Final redemption:** Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 4 February 2030 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 and to the Trustee and Agents (which notice shall be irrevocable) at the principal amount thereof, together with interest accrued to (but excluding) the date fixed for redemption, if (i) immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or becomes effective on or after the Issue Date and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (x) an Officer's Certificate of the Issuer stating that the Issuer is entitled to effect such redemption and that the conditions precedent to the right of the Issuer to so redeem set out in (i) and (ii) above have occurred and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely absolutely, without further enquiry and without liability to any person, upon such opinion and certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders. All Notes in respect of which any such notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(c) **Redemption at Make Whole:** At any time prior to the Maturity Date the Issuer may, at its option, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (the "**Call Option Notice**") in accordance with Condition 17 and to the Trustee and the Agents redeem the Notes in whole but not in part, at the price which shall be the following (as calculated by the Issuer):

(i) the aggregate principal amount of the outstanding Notes; plus

(ii) interest and other amounts that may be due pursuant to these Conditions (if any) accrued but unpaid to but excluding the date on which the call option is to be settled (the "**Call Settlement Date**"); plus

(iii) the Make Whole Premium.

The Call Option Notice shall specify the Call Settlement Date.

For the purposes of this Condition 7(c):

"**Make Whole Premium**" means, with respect to a Note at any time, the excess of (a) the present value of the Notes at the Call Settlement Date, plus the present value of any required interest payments that would otherwise accrue and be payable on such Notes from the Call Settlement Date through to the Maturity Date, in each case calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes at the Call Settlement Date, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Premium will be equal to zero.

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least three business days (but not more than five business days) prior to the Call Settlement Date and shall notify the Noteholders (in accordance with Condition 17) and the Trustee and the Agents thereof not less than two business days prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

(d) **Optional Redemption at Par:** the Issuer may, at any time on or after the date falling one month prior to the Maturity Date, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (which notice shall specify the date fixed for redemption (the "**Par Optional Redemption Date**")) in accordance with Condition 17 and to the Trustee and Agents, redeem the Notes in whole but not in part, at the principal amount thereof, together with interest and additional amounts (if any) accrued but unpaid to but excluding the Par Optional Redemption Date.

(e) **Purchase:** the Issuer and its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13(a).

(f) **Cancellation:** All Definitive Notes representing Notes purchased pursuant to this Condition 7 shall be either cancelled forthwith, held or, to the extent permitted by law, resold. Any Definitive Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(g) **Redemption at the option of Noteholders upon a Change of Control:** If at any time while any Note remains outstanding a Change of Control Put Event occurs, the Issuer shall, at the option of the holder of any such Note (the "**Change of Control Put Option**"), redeem or purchase such Note on the Change of Control Put Date (as defined below) at 100 per cent. of its principal

amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Change of Control Put Date.

If a Change of Control Put Event occurs then, within 14 days of the occurrence of the Change of Control Put Event, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, a holder of Notes must deliver at the specified office of any Paying Agent, on any business day (being a day on which commercial banks are open for business in the city where such Paying Agent has its specified office) falling within the period commencing on the date on which the Change of Control Notice is given to Noteholders as required by this Condition 7(g) and ending 60 days after such date (the "**Change of Control Put Period**"), a duly signed and completed notice of exercise in the form obtainable from any specified office of any Paying Agent (a "**Change of Control Put Option Notice**") and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by the applicable Definitive Note or Notes or evidence satisfactory to the Paying Agent concerned that the certificate for such Notes will, following the delivery of the Change of Control Put Option Notice, be held to its order or under its control.

The Issuer shall redeem or purchase (or procure the purchase of) the Notes the subject of each Change of Control Put Option Notice on the date (the "**Change of Control Put Date**") 14 days after the expiration of the Change of Control Put Period unless previously redeemed or purchased and cancelled. A Change of Control Put Option Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Option Notice and require the applicable Definitive Note or Notes to be returned.

For the purposes of this Condition 7(g):

(i) "**Acceptable Investor**" means (A) Mr. Bulat Utemuratov and/or members of Mr. Utemuratov's family (being Mr. Bulat Utemuratov's spouse and any descendants of Mr. Bulat Utemuratov's father) or (B) any entity which is a bank or other financial institution which has at the relevant time a long term foreign currency obligations rating from a Rating Agency which is no lower than that of the Issuer;

(ii) an "**Adverse Ratings Event**" will occur if on, or within six months after, the date of the announcement of the occurrence of the Change of Control (which period shall be extended so long as the rating of the Issuer or the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies), the rating of the Issuer or the Notes is withdrawn or downgraded by any Rating Agency, specifying that such actual or proposed Change of Control is a factor in its decision to withdraw or downgrade such rating;

(iii) a "**Change of Control**" will occur upon the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that an investor, other than an Acceptable Investor, becomes the owner (directly or indirectly) of at least 50 per cent. plus one share of the issued and outstanding voting Capital Stock of, or otherwise to control, the Issuer;

(iv) "**Change of Control Put Event**" means a Change of Control (i) which results in an Adverse Ratings Event or (y) resulting from a transfer to a Person which is not an Acceptable Investor;

(v) an "**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, BBB- (or the equivalent) by Fitch, or an equivalent rating by any other Rating Agency;

(vi) "**Rating Agency**" means each of Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Fitch Rating Limited ("**Fitch**"), Moody's Investors Service ("**Moody's**"), or any of their affiliates or successors; provided that if any of Fitch, S&P or Moody's ceases to rate the Issuer or the Notes or fails to make a rating of the Issuer or the Notes publicly available for reasons outside of the Issuer's control, any other rating agency of equivalent international standing may be selected by the Issuer as a replacement agency for Fitch, S&P or Moody's, or any of them, as the case may be;

(vii) "**Holder of a Note**", where the Note is held in global form includes the beneficial owner of such Note or any portion thereof and any person who holds the Note on its behalf.

8 Payments

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Definitive Notes at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Definitive Notes) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made by transfer to an account in U.S. Dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Definitive Note is less than the outstanding principal amount of such Definitive Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Agents:** The initial Agents and their initial specified offices are listed below. The Issuer reserves the right (subject to prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed)) to terminate the appointment of all or any of the Agents at any time (provided that no Agent shall be responsible for any costs or liabilities occasioned by any such termination) and appoint additional or other payment or transfer agents, provided that they will maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee (such approval not to be unreasonably withheld or delayed). Notice of any such change will be provided as described in Condition 17 below.

(d) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, or if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so).

(e) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, "**business day**" means

a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. Dollars in New York City.

9 Taxation

All payments of principal, interest and other amounts in respect of the Notes by the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Definitive Note:

(i) held by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Kazakhstan other than the mere holding of such Definitive Note; or

(ii) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Definitive Note on the last day of such period of 30 days.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Definitive Note representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition. If the Issuer becomes subject in respect of payments of principal or interest on the Notes to any taxing jurisdiction other than (or in addition to) the Republic of Kazakhstan, references in these Conditions to the Republic of Kazakhstan shall be construed as references to such other jurisdiction.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and repayable at their principal amount together with accrued interest if any of the following events occurs and is continuing (each, an "**Event of Default**"):

(a) the Issuer fails to pay any amounts payable on any of the Notes when due and such failure continues for a period of seven days in relation to principal and 14 days in relation to interest; or

(b) the Issuer does not perform or comply with any of its other obligations in the Notes or the Trust Deed which default (i) is (in the opinion of the Trustee) incapable of remedy and, in the case of a breach of an obligation under the Trust Deed, (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders or (ii) if in the opinion of the Trustee capable of remedy is not remedied within 30 days or such longer period as the Trustee may agree after notice of such default having been given to the Issuer by the Trustee in writing requesting the same to be remedied; or

(c) (i) any other present or future Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$40,000,000 or its U.S. Dollar Equivalent; or

(d) the occurrence of any of the following events:

(i) (A) the Issuer or any Material Subsidiary of the Issuer seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidator or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer or any Material Subsidiary of the Issuer in any court or before any agency for its bankruptcy, insolvency, dissolution or liquidation which, in the case of a petition presented or filed by a Person other than the Issuer, or such Material Subsidiary, as the case may be, is not dismissed or discharged within 60 days from the date of presentation or filing; (C) the institution of supervision, external management, examinership or bankruptcy management to the Issuer or any Material Subsidiary of the Issuer; (D) the convening of a meeting of creditors generally of the Issuer or any Material Subsidiary of the Issuer for the purposes of considering an amicable settlement with its creditors generally; and/or (E) any extra judicial liquidation or analogous act in respect of the Issuer or any Material Subsidiary by any Agency in the Republic of Kazakhstan; or

(ii) the Issuer or any of its Material Subsidiaries: (A) fails or is unable or admits its inability to pay its debts generally as they become due; (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property;

(iii) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer or any Material Subsidiary of the Issuer or a substantial part of their respective property and such order or decree remains undischarged for a period of 30 days; or

(iv) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring permitted by Condition 5(d));

(e) a judgment, order, decree of a court or other appropriate law enforcement body from which no further appeal or judicial review is permissible under applicable law for the payment of any amount in excess of U.S.$40,000,000 (or its U.S. Dollar Equivalent) is rendered against the Issuer or any of its Material Subsidiaries and continues unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment or on which such judgment or order otherwise becomes enforceable; or

(f) an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring permitted by Condition 5(d)) which event in the case of a Material Subsidiary of the Issuer is in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or

(g) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of the Republic of Kazakhstan, is not taken, fulfilled or done; or

(h) the validity of the Notes or the Trust Deed, as the case may be, is contested by the Issuer, or the Issuer shall deny any of its obligations thereunder or it is, or will become, unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed or any of such obligations shall become unenforceable or cease to be legal, valid and binding; or

(i) the Issuer suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or (in the opinion of the Trustee) a material part of its business or its licence to conduct banking operations in Kazakhstan is revoked; or

(j) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) and (f) above.

11 Prescription

Claims for the payment of principal and interest in respect of any Definitive Note shall be prescribed unless made within 10 years (for claims for the payment of principal) or five years (for claims for the payment of interest) from the appropriate Relevant Date in respect of them.

12 Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

13 Meetings of Noteholders, Modification and Waiver

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such meetings shall be held in accordance with the provisions set out in the Trust Deed. Such a meeting may be convened by the Trustee upon receipt of a written request by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses). The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes, (iv) to

change the currency of payment of the Notes or (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification and Waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed or the Notes which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed, which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other Person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

14 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions and/or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take, nor shall the Trustee be bound to take or omit to take, any such steps, actions and/or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding and (ii) it shall have been indemnified and/or provided with security and/or prefunded in each case to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trust Deed also contains a provision permitting the Trustee to request a compliance certificate from the Issuer related to compliance with the Conditions in the circumstances described in the Trust Deed. The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report,

confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer and the Noteholders.

The liability of the Auditors to the Trustee in respect of any report, confirmation, certificate or advice of the Auditors shall be governed by the terms of such report, confirmation, certificate or advice (or the engagement letter relating thereto).

16 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

17 Notices

Notices to the Noteholders shall be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are admitted to trading on the Stock Exchange, notices will be published in a manner which complies with the rules and regulations of the Stock Exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

18 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer, shall indemnify each Noteholder on the written demand of such Noteholder, addressed and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20 Governing Law

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law.

21 Arbitration, Consent to Enforcement and Waiver of Immunity

(a) **Arbitration:** Any dispute arising out of or connected with the Notes and the Trust Deed, including a dispute as to the validity or existence of the Notes and the Trust Deed and/or this Condition 21 or any non-contractual obligation arising out of or in connection with the Notes and the Trust Deed (a "**Dispute**"), shall be resolved by arbitration whose seat shall be in London, England, conducted in the English language by three arbitrators pursuant to the rules

of the London Court of International Arbitration ("**LCIA**") (such arbitration to also be administered by the LCIA in accordance with those rules), which rules are deemed to be incorporated by reference into this Condition with the exception that any provision of such rules relating to the nationality of an arbitrator shall, to that extent, not apply and save that, unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If the third arbitrator is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

(b) **Agent for Service of Process:** The Issuer has appointed Law Debenture Corporate Services Limited, at Eighth Floor, 100 Bishopsgate, London EC2N 4AG as its agent in England to receive service of process in any proceedings in England in connection with the Notes and the Trust Deed.

(c) **Consent to enforcement etc.:** The Issuer consents generally in respect of any Disputes to the giving of any relief or the issue of any process in connection with such Disputes including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any judgment or award which may be made or given in such Disputes.

(d) **Waiver of immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before the making of a judgment or an award or otherwise) or other legal process including in relation to the enforcement of a judgment or award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its respective assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity.

22 Definitions

In these Conditions, the following terms shall have the following meanings:

"**Affiliate**", in respect of any specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, "**control**", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "**controlling**", "**controlled by**" and "**under common control with**" shall have correlative meanings;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, ministry, minister, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Asset Sale**" means

(a) the sale, lease, conveyance or other disposition of any tangible or intangible assets (other than cash) or rights or revenues of the Issuer or a Material Subsidiary of the Issuer in one or more transactions or series of transactions (whether related or not);

(b) the issuance of Capital Stock in any Material Subsidiary of the Issuer or the sale of Capital Stock in any of its Material Subsidiaries.

Notwithstanding the foregoing, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than 7.5 per cent. of the consolidated total assets of the Issuer (as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c));

(b) any sale or other disposition of Capital Stock in a Subsidiary not involved in carrying out banking business or any sale or other disposition of other assets that are no longer useful in the conduct of the business of the Issuer or its Subsidiaries;

(c) a transfer of assets between or among the Issuer and its Subsidiaries;

(d) any sale, lease, conveyance or other disposition of any assets of the Issuer or any of its Material Subsidiaries or property pledged as collateral by or to the Issuer or any of its Material Subsidiaries in the ordinary course of the Issuer's or, as the case may be, the relevant Material Subsidiary's business;

(e) any sale, conveyance or other disposition of non-performing loans or portfolios of non-performing loans by the Issuer or any of its Material Subsidiaries in the ordinary course of the Issuer's or, as the case may be, the relevant Material Subsidiary's business;

(f) an issuance or other disposition of Capital Stock by a Material Subsidiary of the Issuer to the Issuer or to a Subsidiary of the Issuer;

(g) the creation of a Security Interest;

(h) a payment or other disposition that does not violate Condition 5(b) and Condition 5(d);

(i) the sale or other disposition of assets received by the Issuer or any of its Material Subsidiaries in compromise or settlement of claims of the Issuer or any of its Material Subsidiaries; and

(j) the sale, transfer or other disposition of any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure originated by the Issuer or any of its Material Subsidiaries whereby all payment obligations are to be discharged primarily from such assets or revenues, provided that the value of such assets or revenues, asset-backed financing, or similar financing structures, when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (h) of the definition of "Permitted Security Interest", does not, at any time, exceed 25 per cent. of the Group's total loans and advances to customers before allowances for expected credit losses as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c).

"**Auditors**" means the auditors for the time being of the Issuer or, if they are unable or unwilling promptly to carry out any action requested of them under these Conditions, such other firm of accountants of international standing as may be selected by the Issuer for the purpose and notified in writing to the Trustee;

"**Board of Directors**" means with respect to the Issuer, its Board of Directors; with respect to a corporation, the board of directors or managers of the corporation and, in the case of any other corporation having both a supervisory board and an executive or management board, the executive or management board (except where the supervisory board is expressly indicated); with respect to a partnership, the board of directors of the general partner of the partnership; and with respect to any other Person, the board or committee of such Person serving a similar function;

"**business day**" means (except where expressly defined otherwise) a day which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. Dollars in New York City;

"**Capital Lease Obligation**" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital or finance lease that would at that time be required to be classified and accounted for as a finance lease for financial reporting purposes and reflected as a liability on a balance sheet, in each case in accordance with IFRS;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any Preferred Stock of such Person,

whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into or exchangeable for such Capital Stock;

"**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**Consolidated Net Profit**" means, for any period, the net profit of the Issuer and its Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS;

"**control**" shall have the meaning provided in the definition of "Affiliate" and "**controlled**" shall be construed accordingly;

"**Deferred Capital Stock**" means a dividend or distribution declared by the Issuer and which a shareholder of the Issuer has irrevocably instructed the Issuer to retain and apply towards consideration for any future Capital Stock to be issued by the Issuer to such shareholder;

"**Fair Market Value**" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by a majority of the disinterested members of the Issuer's Board of Directors or the relevant Material Subsidiary's Board of Directors (or, in the event there is only one disinterested member of the Issuer's or Material Subsidiary's Board of Directors, approved by such disinterested member) whose determination shall be conclusive, provided that in respect of any such transaction or series of related transactions where the consideration involved exceeds U.S.$50,000,000, the Issuer or the relevant Material Subsidiary shall have received a valuation and/or fairness opinion from a third party of such stature and reputation as shall be appropriate taking into account the size and nature of the transaction in question, as reasonably determined by the Board of Directors of the Issuer or the relevant Material Subsidiary;

"**Group**" means the Issuer and its consolidated Subsidiaries taken as a whole;

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

The term "guarantee" used as a verb has a corresponding meaning. The term "guarantor" shall mean any Person guaranteeing any obligation.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under:

(a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates; and

(c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in foreign currency rates;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all Capital Lease Obligations of such Person;

(d) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;

(e) to the extent not otherwise included in this definition, all Hedging Obligations of such Person, provided, however, that if and to the extent that netting is permitted by applicable laws (including the laws of the Republic of Kazakhstan), the amount of any such Hedging Obligations for the purposes of this paragraph (e) shall be equal at any time to the net payments under such agreement or arrangement giving rise to such Hedging Obligation that would be payable by such Person at the termination of such agreement or arrangement;

(f) any amount raised by acceptance under any acceptance credit facility; and

(g) any amount raised under any other transaction having the economic or commercial effect of a borrowing,

and the amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

"**Issue Date**" means 4 February 2025;

"**Material Adverse Effect**" means a material adverse effect on (a) the business, condition (financial or otherwise), results of operations or prospects of the Issuer or the Group, (b) the ability of the Issuer to perform its obligations under the Trust Deed and the Notes or (c) the validity or enforceability of the Trust Deed and the Notes;

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(a) whose total assets or gross revenues (for the Issuer and any Subsidiary carrying on a banking business, "gross revenues" shall mean interest income plus fee and commission income) (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or consolidated gross revenues) attributable to the Issuer represent not less than 5 per cent. of the total consolidated assets, pre-tax profits or the gross consolidated revenues of the Issuer, as calculated by reference to the then latest audited accounts (or, if none, its then most recent management accounts or consolidated accounts, as the case may be) of such Subsidiary and the most recent audited consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c); or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction).

The Issuer does not have any Material Subsidiaries as of the Issue Date;

"**NBK**" means the National Bank of the Republic of Kazakhstan ;

"**Officer**" means the chief financial officer, any member of the Management Board or other person holding a corresponding or similar position of responsibility;

"**Officer's Certificate**" means a certificate executed on behalf of the Issuer by one Officer;

"**Permitted Security Interest**" means:

(a) any Security Interest in existence on the Issue Date;

(b) any Security Interests granted by any Material Subsidiary of the Issuer in favour of the Issuer or any Material Subsidiary of the Issuer;

(c) any Security Interests imposed or required by statute, operation of law or any government resolution, including any Security Interests that may arise in the context of the Issuer's participation in the Kazakhstan Deposit Insurance Fund;

(d) any Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Material Subsidiary of the Issuer or becomes a Material Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Material Subsidiary of the Issuer (other than those of the Person acquired and its Material Subsidiaries (if any));

(e) any Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Material Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(f) any netting or set-off arrangement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of its banking business for the purpose of netting debit and credit balances;

(g) Security Interests arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(h) any Security Interest upon, or with respect to, any present or future assets or revenues of the Issuer or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues, provided that the value of assets or revenues subject to such Security Interest when aggregated with the value of assets or revenues which are the subject of any securitisation of receivables, asset-backed financing or similar financing structure permitted pursuant to Condition 5(e), does not, at any such time, exceed 25 per cent. of the Group's total loans and advances to customers before allowances for expected credit losses as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c);

(i) any Security Interest granted upon or with regard to any property hereafter acquired by the Issuer or any Material Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(j) any Security Interest arising in the ordinary course of banking business including without limitation: Security Interests pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Material Subsidiary of the Issuer), in connection with (x) contracts entered into substantially simultaneously for sales and purchases at market prices of securities or precious metals (y) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading limitation, currency swaps, trading activities with the NBK and/or Samruk-Kazyna, trading in securities or precious metals or (z) the Issuer's foreign exchange dealings or other proprietary trading activities including, without limitation in the case of (x), (y) and (z), Repos;

(k) any Security Interest in respect of Hedging Obligations entered into for non-speculative purposes;

(l) any Security Interest on property acquired (or deemed to be acquired) under a lease, or claims arising from the use or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;

(m) Security Interests arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, provided that the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

(n) any Security Interests arising in relation to any Project Finance Debt; and

(o) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (n), provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 10 per cent. of the Group's consolidated total assets as published in the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c);

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"**Potential Event of Default**" means an event or circumstance which, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, would constitute an Event of Default;

"**Preferred Stock**", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person;

"**Project Finance Debt**" means any Indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to which such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any other similar non-recourse Indebtedness which is properly regarded as project finance debt;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for purposes of this definition, the term "securities" means any Capital Stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or Agency or instrumentality thereof or any supranational, international or multilateral organisation.

"**Restricted Payment**" with respect to the Issuer or any of its Subsidiaries means:

(a) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock, Deferred Capital Stock or in options, warrants or other rights to purchase such stock, (B) dividends or distributions payable solely to the Issuer or a Wholly-Owned Subsidiary of the Issuer and (C) pro rata dividends or other distributions made by a Subsidiary of the Issuer that is not a Wholly-Owned Subsidiary of the Issuer to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer held by any Person (other than by a Subsidiary) or of any Capital

Stock of a Subsidiary of the Issuer held by any Affiliate of the Issuer (other than by a member of the Group), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of Indebtedness of such Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the first anniversary of the Maturity Date);

(c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity or scheduled repayment of any Subordinated Obligations of the Issuer or any Subsidiary of the Issuer (except for the repayment of inter-company debt owed by any member of the Group to any other member of the Group from time to time).

"**Stock Exchange**" means Wiener Börse AG;

"**Subordinated Obligations**" means, with respect to any Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement to that effect;

"**Subsidiary**" means, in relation to any Person (the "first person"), at any particular time, any other Person (the "second person") (i) which the first person controls or has the power to control and (ii) which is (or is required under IFRS to be) consolidated in or with the financial statements of the first person;

"**Taxes**" means any taxes, levies, duties, imports or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

"**U.S. Dollars**", "**dollars**" or the sign "**$**" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts;

"**U.S. Dollar Equivalent**" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 am (New York time) on the date not more than two Business Days prior to the date of determination;

"**Wholly - Owned Subsidiary**" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES WHEN IN GLOBAL FORM

The Notes will be evidenced on issue by (i) in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of DTC.

Beneficial interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book-entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that if it determines to transfer such beneficial interest, it will transfer such interest only to a person whom the seller reasonably believes (a) to be purchasing outside of the United States in accordance with Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note (if applicable). See "*Transfer Restrictions*".

Beneficial interests in the Rule 144A Global Note may be held only through DTC at any time. See "*—Book-entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the agency agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Paying Agency Agreement and the Global Notes will bear applicable legends regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulation S.

Save in the case of the issue of replacement Notes pursuant to Condition 12, the Issuer, the Transfer Agents and the Registrar shall make no charge to the holders for the registration of any holding of Notes or any transfer thereof or for the issue of any Notes or for the delivery thereof at the specified office of a Transfer Agent or the Registrar or by uninsured post to the address specified by the holder, but such registration, transfer, issue or delivery shall be effected against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration, transfer, issue or delivery. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Note certificates in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that it represents, some of which modify the effect of the above Conditions. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made to the person who appears on the register of Noteholders at the close of business on the Record Date as holder of the relevant Global Note against presentation and (if no further payment falls to be made in respect of the relevant Notes) surrender of such Global Note to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose), which shall endorse such payment or cause such payment to be endorsed in the appropriate schedule to such Global Note (such endorsement being prima facie evidence that the payment in question has been made). Interest in respect of the Notes represented

by a Global Note will be paid from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by such Global Note, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Notices

So long as the Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication to entitled account holders rather than in the manner specified in the Conditions and shall be deemed to be given to holders of interests in such Global Note with the same effect as if they had been given to such Noteholder in accordance with the Conditions; *provided, however, that* as long as the Notes are included in trading on the Vienna MTF and admitted to the Official List of the AIX, all notices will also be given in accordance with the rules of the Vienna Stock Exchange and the rules of the AIX, respectively. Any such notice will be deemed to have been given on the day the same has been delivered to the relevant clearing systems, or as otherwise required by the rules of the AIX.

Record Date

Notwithstanding Condition 8(a)(ii), "Record Date" shall mean the Clearing System Business Day before the relevant due date for payment, where "Clearing System Business Day" means Monday to Friday inclusive, except 25 December and 1 January.

Meetings

The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each Note for which such Global Note may be exchangeable.

Trustee's Powers

Notwithstanding anything contained in the Trust Deed, in considering the interests of Noteholders while a Global Note is held on behalf of a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests, and treat such accountholders, as if such accountholders were the holders of such Global Note.

Issuer's Option

So long as the Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders and the relevant clearing systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required and instead the Notes to be redeemed shall be selected (i) in the case of the Regulation S Global Note, in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg or (ii) in the case of the Rule 144A Global Note, on a *pro rata* pass-through distribution of principal basis.

Noteholder's Option

So long as the Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, the exercise of the option of Noteholders provided for in Condition 7(g) will be subject to the normal rules and operating procedures of such clearing system.

Electronic Consent and Written Resolution

While a Global Note is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than two-thirds in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting in respect of which the special quorum provisions specified in the Notes apply, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EasyWay or Clearstream, Luxembourg's Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Exchange for Definitive Notes

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if: (i) in the case of a Rule 144A Global Note, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (ii) in the case of a Regulation S Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for (i) a period of 15 calendar days ending on the due date for any payment of principal or interest or (ii) a period of 15 calendar days prior to (and including) any date of optional redemption in respect of the Notes, (iii) after any such Note has been called for redemption, or (iv) seven days ending on (and including) any Record Date.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or the Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or the Transfer Agent, together with the completed form of transfer thereon.

Book-entry Procedures for the Global Note

Custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*–Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note will have an ISIN and Common Code. The Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary. The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note will have a CUSIP number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations that are accountholders therein.

DTC

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer believes to be reliable, including DTC, but neither the Issuer nor any of the Managers takes any responsibility for the accuracy of the information. If investors wish to use the facilities of any clearing system they should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. None of the Issuer, the Trustee or any of the Managers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in, Notes held through the facilities of any clearing system, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations that are Direct Participants in such system. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Notes*" DTC will surrender the Rule 144A Global Note for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear or Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of Euroclear and Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in a Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by a Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing

system's records. The ownership interest of each actual purchaser of each such note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes unless and until interests in the relevant Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. In particular, because DTC can only act on behalf of Direct Participants the ability of a person having an interest in the Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note, as the case may be (subject to the certification procedures provided in the Paying Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Rule 144A Global Note (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note. Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee nor any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing then-operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than one business day following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market are generally required to settle within one business day (T+1), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until one days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+1, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Closing Date should consult their own advisors.

Payment, Settlement and Transfer in the AIX and the AIX CSD

Notes offering will be made through the book-building platform of the trading system of the AIX in accordance with the AIX Market Rules and relevant AIX Market Notice. The payment and settlement will be made through the settlement system of the Astana International Exchange Central Securities Depository ("**AIX CSD**") in accordance with the rules and regulations of the AIX CSD (the "**AIX CSD Rules**"), in particular delivery of the Notes through the system of the AIX CSD and the account of AIX CSD at Euroclear, on or about Closing Date.

In order to participate in the offering of Notes, take delivery of Notes and trade Notes on the AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant. Notes will be held on behalf of investors in the relevant AIX Trading Member's custodial account at AIX CSD.

The Issuer expects that custodial and depositary links have been established between Euroclear and the AIX CSD, with AIX CSD maintaining an account with Euroclear, to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading.

Initial Settlement

Euroclear and Clearstream, Luxembourg are expected to accept the Notes for settlement in their respective book-entry settlement systems. The Issuer expects that delivery of the Notes will be made through the facilities

of Euroclear and Clearstream, Luxembourg on or about the Closing Date. Except as set forth herein, investors may hold beneficial interests in and transfer the Notes only through Euroclear or Clearstream, Luxembourg and their direct and indirect participants, including AIX CSD. Transfers within Euroclear and Clearstream, Luxembourg and AIX CSD will be in accordance with the usual rules and operating procedures of the relevant system.

The Issuer will not impose any fees in respect of the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in AIX CSD, Euroclear, Clearstream, Luxembourg.

AIX CSD

AIX CSD holds securities for AIX Trading Members and their clients and facilitates the clearance and settlement of securities transactions between these participants through electronic book entry changes in accounts of such participants. AIX CSD provides, among other things, services for safekeeping, administration, clearance and settlement of traded securities and securities lending and borrowing. AIX CSD has established a direct electronic linkage to Euroclear to facilitate the transfer of securities between AIX CSD and the Euroclear system.

Distributions of coupons and other payments with respect to book entry interests in the Notes held through AIX CSD will be credited to the cash accounts of AIX Trading Members in accordance with the relevant system's rules and procedures.

AIX maintains an account with AIX CSD, which has a direct access to the Euroclear system. Upon settlement of the Notes in accordance with the Terms and Conditions of the Notes, the AIX CSD will receive the Notes allocated to the AIX Trading Members through the book-build process and transfer the same into the AIX CSD nominee account at Euroclear. Upon receipt, AIX CSD will create the total number of Notes allocated to AIX Trading Members' accounts in AIX CSD and allocate the same to the investor nominee or custodial account of an AIX Trading member as instructed by the Kazakhstan Manager.

Trading between AIX CSD Participants

Secondary market sales of book entry interests in the Notes held through AIX CSD to purchasers of book entry interests in the Notes held through the AIX will be conducted in accordance with the rules and operating procedures of AIX and AIX CSD.

Distributions of Coupon

Coupon and other payments with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by such depositaries, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures. This includes holders of book entry interests in Notes at AIX CSD, where the coupon and other payments will be credited to AIX CSD. Upon receipt, coupons and other payments with respect to book entry interests in the Notes held through AIX CSD will be credited to the cash accounts of the AIX Trading Members nominee or account at AIX CSD in accordance with AIX CSD Rules.

TRANSFER RESTRICTIONS

Rule 144A Bonds

Each purchaser of the bonds in the United States will be deemed to represent, acknowledge and agree as follows:

1. It is (i) a QIB, (ii) acquiring such Notes for its own account or for the account of a QIB, and (iii) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. It understands that the Notes have not been and will not be registered under the Securities Act and are "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that the Rule 144A Global Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

4. It understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Note and that the Notes offered and sold outside of the United States in reliance on Regulation S will be represented by the Regulation S Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

5. The Issuer, the Registrar, the Transfer Agent, the Managers and each of their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. It agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue of its purchase of the Notes is no longer accurate, it shall promptly notify the Issuer, the Registrar, the Transfer Agent and the Managers. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident of a purchase of Notes, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of Notes. The following is a general description of Kazakhstan withholding tax laws and certain United States tax consequences relating to the Notes as in effect on the date hereof, and does not purport to be a comprehensive discussion of the tax treatment of the Notes.

Kazakhstan Tax Considerations

The following summary of certain Kazakhstan taxation matters is based on the laws as at the date of this Document and is subject to any changes in the laws, interpretation and application thereof, while such changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Investors should consult their own professional advisers with respect to the tax consequences of their acquisition, holding and disposal of the Notes, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek separate Kazakhstan tax advice, as necessary.

Subject to the foregoing, this section outlines the main Kazakhstan tax consequences of the acquisition, ownership and disposal of the Notes. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed and, in many cases, the exact scope of Kazakhstan tax compliance rules and enforcement mechanisms are unclear or subject to different interpretations.

Non-resident individuals and legal entities that acquire the Notes should be subject to income tax withholding at source of payment in Kazakhstan either on (i) receipt of interest or (ii) in connection with disposal of such Notes. No other taxes or duties should be levied on non-residents in Kazakhstan with respect to such transactions.

Kazakhstan resident legal entities are subject to corporate income tax ("**CIT**") and Kazakhstan resident individuals are subject to personal income tax ("**PIT**") in accordance with the Tax Code, respectively.

General Tax Implications under the Tax Code

The Kazakhstan tax legislation does not provide clear and explicit treatment of certain operations performed on stock exchanges. This ambiguity creates a risk that the Kazakhstan tax authorities may take a view different from the one which is outlined below.

Under the Tax Code, the term "interest" includes, *inter alia*, payments on debt securities in the form of discount or coupon (taking into account the discount or premium on the value of the initial placement and (or) acquisition cost), payments to the holder of debt securities who is a related party for the payer of interest on such securities.

Taxation of Kazakhstan tax residents

Gains from disposal of the Notes

Gains derived from the disposal of securities constitute a taxable income for both Kazakhstan resident individuals and Kazakhstan resident legal entities. The taxable amount of a gain should be calculated as the positive difference (excluding the coupon) between the selling price and the initial (acquisition) value (tax base cost), taking into account the amortization of the discount and/or premium as of the sale date. Kazakhstan resident legal entities are required to include gains from the disposal of securities in their aggregate annual income, which is subject to CIT at the rate of 20 per cent.

An individual tax resident should measure the gain from sale of a security a positive difference between the selling price and the initial (acquisition) value (tax base cost). Kazakhstan resident individuals that derive gains

from the disposal of securities are required to include such gains in their annual income, which is subject to PIT at the rate of 10 per cent.

Tax benefits applicable to gains derived from disposal of the Notes (applicable to exchange transactions)

The tax benefit (downward adjustment of income for individuals and reduction of taxable income for legal entities) applies to gains from the disposal of the Notes and is subject to the following conditions: (i) Notes are included in the official list of the stock exchange (ii) realization is conducted through an open trade method and (iii) realization is conducted on a stock exchange functioning in the territory of the Republic of Kazakhstan, which are Kazakhstan Stock Exchange (KASE) and AIX.

Additionally, a Kazakhstan resident legal entity's gains from the disposal of the Notes which meet these conditions should be reduced by the losses accumulated in connection with disposal of securities meeting the following conditions (i) securities are included in the official list of the stock exchange (ii) realization is conducted through an open trade method and (iii) realization is conducted on a stock exchange functioning in the territory of the Republic of Kazakhstan, which are Kazakhstan Stock Exchange (KASE) and AIX

Interest

Kazakhstan resident legal entities are required to include interest income on securities in their aggregate annual income, which is subject to CIT at the rate of 20 per cent.

Kazakhstan resident individuals are obliged to include interest income on securities in their annual income, which is subject to PIT at the rate of 10 per cent.

Tax benefits applicable to interest income on the Notes

The tax benefit (reduction of taxable income for legal entities) applies to interest on the Notes in case the Notes are included in the official list of the stock exchange functioning in the territory of the Republic of Kazakhstan, which are KASE and AIX.

Kazakhstan resident individuals can exclude interest on the Notes from a taxable income (downward adjustment of income).

Taxation of Kazakhstan tax non-residents

Non-resident persons should not become residents in Kazakhstan for Kazakhstan tax purposes by reason of solely the acquisition, ownership or disposal of the Notes. Therefore, under the Kazakhstan tax law, holders of the Notes, being non-residents for Kazakhstan tax purposes with no presence in Kazakhstan, should only be taxed on their income earned from sources in Kazakhstan, rather than on their worldwide income.

Non-resident buyers of the Notes are not subject to taxation in Kazakhstan upon acquisition of such securities during the Offering. However, under the Tax Code, a withholding tax ("**WHT**") applies in respect of income derived by non-residents from sources in Kazakhstan, provided that such non-residents do not operate through a permanent establishment in Kazakhstan. The liability to calculate, withhold, remit and report the withheld tax lies with the payer of taxable income, which acts as a tax agent in this case.

Thus, obligations on assessment, declaration, withholding and remittance to the Kazakhstan state budget of WHT on gains realised on post-Offering transactions should generally be fulfilled by a buyer of the Notes, which is recognised as a tax agent (excluding individuals), regardless of whether such buyer is a resident or non-resident for Kazakhstan tax purposes. To fulfil their tax agent obligations, such a non-resident should register with the Kazakhstan tax authorities.

Obligations on assessment, declaration, withholding and remittance to the Kazakhstan state budget of WHT on interest should rest with the Bank which is a Kazakh tax agent in this case.

Gains from disposal of the Notes

As a general rule, a gain derived from the disposal of securities is subject to WHT at the rate of 15 per cent. (or 20 per cent. if the holder of securities is registered in a Country with Favourable Tax Regime, as defined below). Disposals include various types of title transfers including sale, exchange and contribution into capital.

For tax purposes, a gain is measured as a positive difference (excluding the coupon) between the sale price and the initial (acquisition) value (tax base cost), taking into account the amortization of the discount and/or premium as of the sale date. If a seller fails to provide a buyer with documents confirming the initial value of the securities, which are in possession of the seller (the tax base cost of the seller), the buyer must apply any resulting income tax on a gross basis (i.e., on the entire purchase price).

The Tax Code defines a "Country with Favourable Tax Regime" as either a foreign country or a territory, which meets one of the following criteria:

- profit tax rate in such country or territory is less than 10 per cent.; or
- such country or territory has laws on confidentiality of financial information or laws, which allow keeping confidential information about the actual owner of property or income or the actual owners, participants, founders or shareholders of a legal entity (except for a foreign country or a territory which has entered into an international treaty with the Republic of Kazakhstan, which provides for exchange of information on tax matters between the competent authorities, save for the cases when the foreign country or territory does not ensure exchange of information on tax matters between the competent authorities). Foreign country or territory is regarded as failed to ensure exchange of information with the competent Kazakhstan authority for tax purposes if one of the following conditions is met: (1) the Kazakhstan competent authority receives an official refusal of a foreign competent authority for provision of information, even though such exchange is envisaged by the relevant international agreement; (2) the competent foreign authority failed to provide the requested information within the period exceeding two years after the delivery of the request by the Kazakhstan competent authority.

The exact list of Countries with Favourable Tax Regime is approved by Decree No. 142 of the Minister of Finance of the Republic of Kazakhstan, dated 8 February 2018. The following jurisdictions are currently included in the list of Countries with a Favourable Tax Regime: Principality of Andorra, Antigua and Barbuda, Commonwealth of The Bahamas, Barbados, Kingdom of Bahrain, Belize, Negara Brunei Darussalam, Republic of Vanuatu, Republic of Guyana, Republic of Guatemala, Grenada, Republic of Djibouti, Dominican Republic, Commonwealth of Dominica, Kingdom of Spain (in respect of the territories of The Canary Islands only), People's Republic of China (in respect of the territories of the special administrative regions of Macau and Hong Kong only), Republic of Colombia, Union of the Comoros, Republic of Costa Rica, Malaysia (in respect of the territory of Labuan enclave only), Republic of Liberia, Republic of Lebanon, Republic of Mauritius,Islamic Republic of Mauritania, Republic of Portugal (in respect of the territory of the islands of Madeira only), Republic of Maldives, Republic of the Marshall Islands, Principality of Monaco, Republic of Malta, Mariana Islands, Kingdom of Morocco (in respect of the territory of the city of Tangier only), Republic of the Union of Myanmar, Republic of Nauru, Kingdom of the Netherlands (in respect of the territories of the islands of Aruba and dependent territories of the Antilles islands only), Federal Republic of Nigeria, New Zealand (in respect of the territories of the Cook Islands and Niue only), Republic of Palau, Republic of Panama, Independent State of Samoa, Republic of San Marino, Republic of Seychelles, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia, United Kingdom (in respect of the following territories only: Anguilla; Bermuda; the British Virgin Islands; Gibraltar; the Cayman Islands; Montserrat; the Turks and Caicos Islands, Isle of Man, the Channel Islands (Guernsey, Jersey, Sark and Alderney), South Georgia and the South Sandwich Islands, Chagos Island), United States (in respect of the following territories only: The Virgin Islands of the United States, Guam, Commonwealth of Puerto Rico, State of Wyoming), Republic of Suriname, United Republic of Tanzania, Kingdom of Tonga, Republic of Trinidad and Tobago, Republic of Fiji, Republic of the Philippines, Republic of France (in respect of the following territories only: Kerguelen Islands, French Polynesia, French Guiana), Montenegro, Democratic Socialist Republic of Sri Lanka, Jamaica.

Tax benefits applicable to gains derived from disposal of the Notes (applicable to exchange transactions)

Gains derived by nonresident legal entities from the sale of securities may be exempt from taxation in Kazakhstan subject to the following conditions: (i) securities are included in the official list of the stock exchange functioning in the territory of Kazakhstan (i.e. KASE or AIX) or a foreign stock exchange, and (ii) realization is conducted through an open trade method.

Gains derived by nonresident individuals from the sale of securities may be exempt from taxation in Kazakhstan subject to the following conditions: (i) securities are included in the official list of the stock exchange functioning in the territory of Kazakhstan, which are KASE and AIX, and (ii) realization is conducted through an open trade method.

Since the Notes are regarded as securities for the Tax Code purposes, the provisions of the Tax Code relevant to the exemption of gains from the sale of securities may apply to the Notes.

Interest

Under the Tax Code, interest is subject to WHT at the rate of 15 per cent. (or 20 per cent. if the holder is registered in a Country with Favourable Tax Regime). WHT is applied to the gross amount of interest without allowance for any deductions.

Tax benefits applicable to interest income on the Notes

Under the Tax Code, interest on the Notes, should be exempt from WHT if the Notes are included in the KASE Official List or AIX Official List at the time of interest accrual. From 2023, an additional condition for the relief has been introduced: the relief applies only to the Notes that meet the trading criteria established by the Kazakhstan Government, including having a minimum volume of debt securities issued through public trading and in circulation of at least 1 billion tenge during the calendar year.

KASE and AIX are required to publish on its website information on securities satisfying the trading criteria quarterly.

AIX tax exemptions for Kazakhstan residents and non-residents

In respect of the securities listed on AIX, the applicable tax exemptions are provided by the AIFC Constitutional Statute. The Notes shall, upon AIX Admission, be included into the AIX Official List.

Under the AIFC Constitutional Statute, the tax preferences (discussed below) are effective until 1 January 2066.

Gains from disposal of the Notes

Pursuant to Article 6.7(1) of the AIFC Constitutional Statute, gains derived from the realization of securities should be exempt from taxation in Kazakhstan provided that such securities are included in the AIX Official List at the date of their realization.

Thus, in respect of the Notes listed on AIX, pursuant to the AIFC Constitutional Statute, gains should be exempt from taxation in Kazakhstan provided that such securities are included in the AIX Official List at the date of their sale.

Interest

Under the AIFC Constitutional Statute, interest paid on the Notes should be exempt from taxation in Kazakhstan, provided that such Notes are included in the AIX Official List at the time the interest is accrued.

Treaty protection in the absence of exemption

If the exemptions envisaged by the Tax Code, the AIFC Constitutional Statute (as stated above) are not available, non-resident holders of the Securities, who are residents in the countries with which Kazakhstan has a tax treaty, may be entitled to apply tax exemptions or a reduced tax rate (on interest) under such treaty, if certain conditions are met.

However, the tax treaty protection in respect of gains from the disposal of the Notes could be achieved in Kazakhstan through income tax refund only, i.e., after income tax is already paid to the Kazakhstan state budget. Thus, the relevant investors should file an income tax refund claim along with documents prescribed by the Kazakhstan tax legislation to the respective tax authority within the established timeframe. In practice, however, this process may prove to be administratively burdensome and time-consuming with no guarantee of the outcome.

In addition, non-resident holders of the Notes who are residents of the countries with which Kazakhstan has tax treaties may be entitled to a reduced rate of withholding tax on interest, if certain conditions are met.

In particular, depending on the country of residence and satisfaction of certain other conditions, the interest WHT rates under most of Kazakhstan's tax treaties which are in effect as at the date of this Information Memorandum may be between 5 per cent. and 10 per cent. However, under these treaties, reduction of the interest WHT to a rate which is below 15 per cent. may only be available to beneficial owners of interest (i.e. a recipient of interest shall have the rights of possession, use, disposal of the relevant income and shall not act as an intermediary (such as an agent or nominee holder)) and if Tax Code and tax treaty requirements are met.

In order to avail themselves of this relief, eligible holders have to provide the Bank with a document issued by the competent authority of their country of tax residence confirming tax residence in a treaty jurisdiction. The document should be provided within the deadlines established by the Kazakhstan tax legislation and meet the requirements of the Tax Code. In particular, to be valid in Kazakhstan, a stamp of the competent authority and signature of the authorised official in the document, which confirms tax residence, should be apostilled or legalised by a holder's home country's competent authority. A signature and a stamp of a foreign notary should also be apostilled or legalised.

Apostille or legalisation of the aforementioned signatures and stamps are not required, *inter alia*, if: (i) the relevant document is published on the official website of the competent authority, or (ii) other authentication procedures, which are envisaged by international agreements to which Kazakhstan is a party, are met.

In addition, for legal holders of the Notes, the Bank will need to have available the list of the legal holders of the Notes containing the information required by the Kazakhstan tax legislation. Depending on how a contract for keeping records and proof of ownership over the Notes is structured, the list of the legal holders of Notes should be provided to the Bank either by the Kazakhstan Central Securities Depository or an organisation which is entitled to conduct depository activity on a foreign security market.

If a legal holder of the Notes is a resident of the tax treaty state with which the tax treaty is modified by a Multilateral Instrument (the "**MLI**") of the Organisation for Economic Co-operation and Development, the legal holder of the Notes may be requested to provide documents confirming the satisfaction of MLI requirements. If the above document and other required documents are not made available to the Bank prior to 31 March of the year following the year when interest are paid, and/or if the list of the legal holders of Notes is not provided to the Bank (as required above), then the Bank should apply WHT at a standard 15 per cent. rate (or 20 per cent. rate if the recipient is registered in a Country with Favourable Tax Regime), as applicable, and account for the withheld amounts to the relevant authority.

In certain cases the holders/beneficial owners of the Notes who are eligible for a lower WHT rate under the tax treaty should later be able to claim a refund of overpaid tax either from the Kazakhstan state budget or from the Bank under certain conditions.

VAT and Stamp Duties

No Kazakhstan VAT or stamp duty should be payable by holders of the Notes in connection with the sale purchase of the Notes and with the interest received on the Notes in the manner contemplated in the Information Memorandum.

Certain U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below), other than the discussion under "*Additional Notes (as defined below) and Fungibility*", which applies to all holders, that acquires the Notes as part of the

offering at a price equal to the issue price of the Notes and holds them as a capital asset (generally, property held for investment). The following summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as at the date hereof and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the "**IRS**") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. tax consequences of purchasing, owning or disposing of the Notes.

This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, but not limited to, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, real estate investment trusts, insurance companies, tax-deferred or other retirement accounts, U.S. Holders that will hold the Notes as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax or the tax on net investment income, U.S. Holders whose functional currency is not the U.S. dollar, investors holding the Notes in connection with a trade or business conducted outside the United States, U.S. Holders required to include certain amounts in income no later than the time such amounts are reflected on their financial statements, and U.S. expatriates or certain former citizens or long-term residents of the United States. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership or disposition of the Notes under any other U.S. federal tax laws (including, but not limited to, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or of other countries or jurisdictions. This summary does not address U.S. tax consequences to persons other than U.S. Holders of the acquisition, ownership or disposition of Notes.

The summary of the U.S. federal income tax consequences set out below is for general information only and is not tax advice with respect to any specific investor. Prospective investors should consult their own tax advisers as to the particular tax consequences to them of the acquisition, ownership and disposition of the Notes, including the applicability and effect of state, local, non-U.S. and other tax laws and possible changes in tax law.

As used herein, the term "**U.S. Holder**" means a beneficial owner of the Notes that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation (or other entity or arrangement that is treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (x) is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Therefore, a beneficial owner of a Note that is a partnership, and partners in such partnership, should consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes.

U.S. HOLDERS CONSIDERING THE PURCHASE OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AS WELL AS THE CONSEQUENCES ARISING UNDER OTHER UNITED STATES FEDERAL TAX LAWS AND THE LAWS OF ANY OTHER TAXING JURISDICTION.

U.S. Federal Income Tax Characterisation of the Notes

To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for these purposes consistent with their form. This characterisation is binding on all U.S. Holders unless the U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent

with the Issuer's characterisation. No ruling will be requested from the IRS as to the characterisation of the Notes for these purposes, and no assurance can be given that the IRS will not assert, or that a court would not sustain, a position regarding the characterisation of the Notes that is contrary to the Issuer's characterisation, in which case the tax consequences to a holder of the Notes may be materially different.

The Notes (i) may be redeemable at the option of the Issuer prior to their stated maturity at their principal amount, plus accrued and unpaid interest to the date of repurchase and, in some situations, at a redemption premium (as described further under "*Terms and Conditions of the Notes—Condition 7(b) (Redemption for tax reasons), and/or Condition 7(c) (Redemption at Make Whole)*" as applicable and/or (ii) may be repayable at the option of the Noteholder prior to their stated maturity at a price equal to 100.0 per cent. of their principal amount, plus accrued and unpaid interest to the date of repurchase (as described further under "*Terms and Conditions of the Notes – Condition 7(g) (Redemption at the Option of Noteholders upon a Change of Control)*"). Notes containing such features may be subject to special rules related to contingent payment debt instruments that differ from the general rules discussed above. While the Issuer intends to take the position that the Notes should not be treated as contingent payment debt instruments, U.S. Holders intending to purchase Notes with such features should consult their own tax advisors regarding the possible application of the special rules related to contingent payment debt instruments.

Payments of Interest

The Notes are expected to, and this discussion generally assumes that the Notes will, be issued without original issue discount ("**OID**"). In such case, payments of interest on the Notes (and payments of any additional amounts) generally will be taxable to a U.S. Holder as ordinary income at the time such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources outside the United States and will generally be considered passive category income, subject to the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon).

Should any non-U.S. tax be withheld on a payment of interest, the amount withheld and the gross amount of any additional amounts paid to a U.S. Holder (see "*Terms and Conditions of the Notes – Condition 9 (Taxation)*") will be included in such holder's income as ordinary income at the time such amount is received or accrued in accordance with such holder's method of tax accounting. Non-U.S. withholding tax, if any, imposed on a U.S. Holder may, subject to complex and evolving limitations and conditions and at the election of such holder, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or a deduction in computing taxable income, to the extent such tax is not otherwise refundable. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits.

If the Notes were issued with OID, the OID with respect to a Note would be equal to the excess of the Note's stated redemption price at maturity over its issue price. A Note's stated redemption price at maturity is the sum of all payments provided by the terms of the Note, other than qualified stated interest. Qualified stated interest generally is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. The issue price of a Note is the first price at which a substantial amount of the Notes is sold for money to investors, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriter, placement agent or wholesaler. A holder of a Note generally will be subject to special tax accounting rules for OID obligations under the Code and applicable U.S. Treasury regulations. Regardless of whether a U.S. Holder uses the cash or accrual method of tax accounting, the U.S. Holder generally would be required to include OID in ordinary income for U.S. federal income tax purposes as it accrued, calculated using a "constant-yield" method, even if the holder had not yet received the cash attributable to that income. U.S. Holders should consult their own tax advisers regarding the potential application of the OID rules to the Notes.

Sale, Exchange, Redemption, Retirement, or Other Taxable Disposition of the Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of the Notes, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (i.e., the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which will be taxable as ordinary income as described above under "Payments of interest" to the extent not previously

included in income)) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in the Notes generally will equal the cost for the Notes reduced by the amount of any payments received by U.S. Holders other than payments of qualified stated interest. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of the Notes will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of the Notes generally will be U.S. source. Net long-term capital gain recognised by a non-corporate U.S. Holder generally is eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their tax advisors regarding the foreign tax credit implications of the sale or retirement of the Notes.

Substitution of the Issuer

If a successor is substituted for the Issuer, the substitution may, depending on the circumstances, be treated as an exchange of the Notes for deemed new notes of the successor. In such an event, unless a non-recognition provision applies, a U.S. Holder generally will recognise any gain or loss realised in the deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new notes (which would be their fair market value assuming the Notes are trading on an established market) and (ii) the U.S. Holder's adjusted tax basis in the Notes. If the stated principal amount of the new notes received in the deemed exchange exceeds their issue price, a U.S. Holder may be required to recognise OID as ordinary income on the new notes as a result of the substitution. The OID would be the amount by which the stated principal amount of the new notes exceeds their issue price. Regardless of its regular method of tax accounting, a U.S. Holder would be required to accrue any OID as ordinary income on a constant yield to maturity basis whether or not it received cash payments, unless the amount of OID was less than 0.25 per cent. of the issue price multiplied by the number of complete years to maturity from the time of the substitution, in which case such "de minimis OID" generally would result in capital gain upon the sale or retirement of the Notes. U.S. Holders should consult their tax advisers regarding the foregoing.

Specified Foreign Financial Asset Reporting

Certain United States persons that own "specified foreign financial assets", including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds certain thresholds. The reporting requirement applies to individuals and certain domestic entities that hold, directly or indirectly, specified foreign financial assets. The Notes may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder subject to the reporting requirement that fails to file information reports. U.S. Holders should consult their own tax advisor regarding this information reporting obligation.

Information Reporting and Backup Withholding

In general, payments of principal and interest on, and the proceeds of the sale, exchange or other taxable disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information reporting and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of the Notes.

Additional Notes (as defined below) and Fungibility

The Issuer may issue additional notes ("**Additional Notes**") as described under "*Terms and Conditions of the Notes – Condition 16 (Further Issues)*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have OID, or a greater amount of OID,

which may adversely affect the market value of the Notes if the Additional Notes are not otherwise distinguishable from the Notes.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc (the "**Sole Lead Manager and Bookrunner**") has, pursuant to a Subscription Agreement dated 31 January 2025 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for U.S.$400,000,000 of Notes at the issue price of 98.986 per cent. of the principal amount of Notes.

The Issuer has agreed to pay to the Sole Lead Manager and Bookrunner a management, underwriting and selling commission in respect of the Notes. The Subscription Agreement entitles the Sole Lead Manager and Bookrunner to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has in the Subscription Agreement agreed to indemnify the Sole Lead Manager and Bookrunner against certain liabilities incurred in connection with the issue of the Notes.

The Sole Lead Manager and Bookrunner and its respective affiliates may, from time to time in the ordinary course of their respective businesses, engage in further transactions with, and perform services for, the Issuer and its affiliates. In particular, the Sole Lead Manager and Bookrunner and its affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non public market financing for, and enter into derivative transactions with, the Issuer or its affiliates (including their respective shareholders) and for which they will receive customary fees.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Sole Lead Manager and Bookrunner may directly or through its U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Prohibition of Sales to UK Retail Investors

The Sole Lead Manager and Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

The Sole Lead Manager and Bookrunner has represented, warranted and agreed that:

(a) **Financial promotion**: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or

sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Sole Lead Manager and Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For these purposes the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Republic of Kazakhstan and Astana International Financial Centre ("AIFC")

Each Manager has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

The Notes may be offered or sold to Accredited Investor(s) as defined in section 1.1.2(6)(a)) of the AIFC Market Rules.

Singapore

The Sole Lead Manager and Bookrunner has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager and Bookrunner has represented, warranted and undertaken with the Issuer that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

Neither the Issuer nor the Managers has made any representation that any action has been or will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Information Memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

INDEPENDENT AUDITORS

With respect to the Interim Financial Statements included herein, KPMG, as the independent auditor, has reported that it applied limited procedures in accordance with professional standards for review of such information. However, KPMG's separate report included herein, states that KPMG did not audit and does not express an opinion on the Interim Financial Statements. Accordingly, the degree of reliance on the report of KPMG on such information should be restricted in light of the limited nature of the review procedures applied.

The 2023 Financial Statements, included in this Information Memorandum, have been audited by KPMG, independent auditors, as stated in their report appearing herein.

The 2022 Financial Statements and the 2021 Financial Statements included in this Information Memorandum have been audited by EY, independent auditors, as stated in their audit report appearing herein.

KPMG has a State audit licence for audit activities on the territory of the Republic of Kazakhstan, under registration number #0000021 dated 6 December 2006 and issued by the Ministry of Finance of the Republic of Kazakhstan.

EY has a State audit licence for audit activities on the territory of the Republic of Kazakhstan: series MDFO-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005.

GENERAL INFORMATION

(1) It is expected that the Notes will be admitted to trading on the Vienna MTF and or around 4 February 2025, subject only to the issue of the Notes. Transactions will normally be effected for delivery on the third working day after the day of the transaction. The expenses related to the inclusion of the Notes in trading on the Vienna MTF are expected to be approximately €8,000 and approximately U.S.$10,000 for admission to trading on the "Bonds" category of the "Debt securities" sector of the "Main" platform of the AIX.

(2) The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the "Bonds" category of the "Debt Securities" sector of the "Main" platform of the AIX as from (and including) the Closing Date of the Notes.

(3) The issue of the Notes was authorised by the written resolutions of the Board of Directors of the Issuer passed on 15 January 2025 and 28 January 2025.

(4) The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg.

(5) The indication of yield in relation to the Notes is 8.00 per cent. per annum. This yield is calculated at the Closing Date on the basis of the Issue Price. It is not an indication of future yield.

(6) The ISIN of the Regulation S Global Note is XS2985300156 and the Common Code of the Regulation S Global Note is 298530015. The ISIN of the Rule 144A Global Note is US34955XAB73, the Common Code of the Rule 144A Global Note is 298970007 and the CUSIP of the Rule 144A Global Note is 34955X AB7.

(7) The Legal Entity Identifier of the Issuer is 529900TH5WJ6KE8N8Z35.

(8) There has been no material adverse change in the prospects of the Issuer since 31 December 2023 and no significant change in the financial performance and the financial position of the Issuer or the Group since 30 September 2024 and to the date of this Information Memorandum.

(9) As at the date of this Information Memorandum, there are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant effect on the financial position or profitability of the Issuer or the Group.

(10) For so long as any Notes are outstanding, copies of the following will be available for inspection on the Issuer's website (https://ir.forte.kz/):

- a copy of this Information Memorandum along with any supplement to this Information Memorandum;
- the constitutional documents of the Issuer; and
- the Financial Statements, including the related independent auditor's report and review report in respect thereof.

The information on this website or any other website mentioned herein is expressly not incorporated by reference herein.

(11) For so long as any Notes are outstanding, copies of the following may be obtained electronically from the Issuer or the Principal Paying Agent:

- the Trust Deed to be entered into with the Trustee; and
- the Paying Agency Agreement to be entered into with the paying agents and the Trustee.

(12) No natural or legal person has an interest that is material to the issue of the Notes.

(13) The Issuer has obtained all necessary consents, approvals and authorisations in Kazakhstan in connection with its entry into, and performance of its obligations under, the Trust Deed and the Agency Agreement.

(14) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders under the Notes.

(15) Where information in this Information Memorandum has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

(16) The auditor of the Issuer is KPMG who have audited the 2023 Financial Statements. EY have audited the 2022 Financial Statements and the 2021 Financial Statements. See "*Independent Auditors*."

(17) The language of this Information Memorandum is English.

(18) The Issuer does not intend to provide any post-issuance transaction information regarding the Notes.

(19) The Bank of New York Mellon SA/NV, Dublin Branch will act as Registrar in relation to the Notes.

(20) There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

(21) The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with and may perform services of the Issuer in the ordinary course of business. In the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

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ForteBank Joint Stock Company

Interim Condensed Consolidated Financial Statements

30 September 2024
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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying 30 September 2024 interim condensed consolidated financial information of «ForteBank» Joint Stock Company and its subsidiaries (the "Group"), which comprises the interim condensed consolidated statement of financial position as at 30 September 2024, the interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2024 and 2023, the interim condensed consolidated statements of changes in equity and cash flows for the nine-month periods ended 30 September 2024 and 2023, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information").

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our reviews.

Scope of Reviews

We conducted our reviews in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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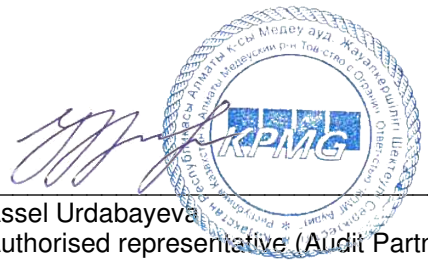
Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying 30 September 2024 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Assel Urdabayeva
Authorised representative (Audit Partner)
KPMG Audit LLC
Astana, Republic of Kazakhstan

10 December 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month period ended 30 September 2024

(millions of tenge)

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Interest income calculated using effective interest rate	4	**136,153**	95,110	**379,676**	264,012
Other interest income	4	**1,500**	965	**4,017**	2,400
Interest expense	4	**(69,706)**	(45,481)	**(194,520)**	(128,451)
Net interest income		**67,947**	50,594	**189,173**	137,961
Fee and commission income		**9,318**	9,287	**26,147**	26,675
Fee and commission expense		**(3,420)**	(2,960)	**(9,941)**	(9,906)
Net gain on financial instruments at fair value through profit or loss	5	**904**	406	**5,280**	12
Net gain/(loss) on derecognition of investment securities at fair value through other comprehensive income		**133**	(158)	**231**	(36)
Net foreign exchange gain	6	**6,685**	6,180	**16,924**	23,713
Dividends received		**2**	–	**496**	302
Other income		**564**	2,682	**2,675**	6,182
Non-interest income		**14,186**	15,437	**41,812**	46,942
Credit loss expenses	7	**(16,794)**	(10,018)	**(34,326)**	(32,770)
Net loss on derecognition of financial assets measured at amortised cost		**(220)**	(1,682)	**(766)**	(3,358)
Net loss on modification of a liability that results in derecognition	15	–	–	**(3,593)**	–
General and administrative expenses	8	**(21,443)**	(23,046)	**(63,444)**	(58,547)
Other expenses		**(2,293)**	(1,346)	**(5,522)**	(4,200)
Non-interest expenses		**(40,750)**	(36,092)	**(107,651)**	(98,875)
Profit before corporate income tax benefit		**41,383**	29,939	**123,334**	86,028
Corporate income tax (expense)/benefit	9	**(3,526)**	(712)	**(10,712)**	545
Profit for the period		**37,857**	29,227	**112,622**	86,573

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month period ended 30 September 2024

(millions of tenge)

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods					
Net change in fair value of debt instruments at fair value through other comprehensive income		**14,038**	860	**13,628**	11,538
Income tax relating to components of other comprehensive income		**(209)**	127	**(164)**	2
Change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7	**(183)**	(19)	**698**	195
Amount reclassified to profit or loss as a result of derecognition of debt instruments measured at fair value through other comprehensive income		**(133)**	158	**(231)**	36
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**13,513**	1,126	**13,931**	11,771
Other comprehensive income/(loss), that will not to be reclassified subsequently to profit or loss					
Profit/(loss) on equity instruments measured at fair value through other comprehensive income		**4**	–	**3**	(803)
Total other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**4**	–	**3**	(803)
Other comprehensive income for the period, net of tax		**13,517**	1,126	**13,934**	10,968
Total comprehensive income for the period		**51,374**	30,353	**126,556**	97,541
Basic and diluted earnings per ordinary share (in tenge)	18	**0.42**	0.32	**1.25**	0.96

R. I. Irmatov
Deputy Chairman of the Management Board (CFO)

10 December 2024

Z. B. Alpossinova
Chief Accountant – Managing Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

(millions of tenge)

	Note	*30 September 2024 (unaudited)*	*31 December 2023*
Assets			
Cash and cash equivalents	10	**856,458**	704,042
Amounts due from credit institutions	11	**47,215**	101,430
Securities measured at fair value through profit or loss		**2,868**	3,016
Loans to customers	12	**1,674,244**	1,377,500
Investment securities:			
Held by the Group	13	***984,100***	*789,486*
Pledged under sale and repurchase agreement	13	***426,168***	*164,168*
Property and equipment		**54,617**	56,665
Intangible assets		**15,385**	13,867
Other assets		**39,883**	43,001
Total assets		**4,100,938**	3,253,175
Liabilities			
Current accounts and deposits of customers	14	**2,731,483**	2,261,023
Amounts due to banks and other credit institutions	15	**82,362**	68,384
Amounts payable under repurchase agreements	16	**424,591**	163,523
Debt securities issued		**288,274**	267,250
Subordinated debt		**14,647**	14,389
Deferred tax liabilities		**15,011**	12,732
Other liabilities		**46,421**	36,066
Total liabilities		**3,602,789**	2,823,367
Equity			
Share capital	17	**332,815**	332,815
Additional paid-in capital		**23,651**	23,651
Treasury shares	17	**(3,465)**	(3,465)
Fair value reserve		**7,890**	(6,044)
Retained earnings		**137,258**	82,851
Total equity		**498,149**	429,808
Total equity and liabilities		**4,100,938**	3,253,175

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2024

(millions of tenge)

	Note	For the nine-month period ended 30 September 2024 (unaudited)	2023 (unaudited)
Cash flows from operating activities			
Interest income received	4	**355,009**	262,574
Interest expenses paid	4	**(174,997)**	(110,197)
Fee and commission income received		**26,059**	27,101
Fee and commission expenses paid		**(9,944)**	(9,921)
Net realised income on financial instruments at fair value through profit or loss		**5,230**	50
Net realised foreign exchange gain	6	**23,368**	25,388
Other operating (expenses paid)/income received, net		**(643)**	7,492
Dividends received		**496**	302
General and administrative expenses paid		**(48,158)**	(47,607)
(Increase)/decrease in operating assets			
Amounts due from credit institutions		**52,932**	(872)
Securities measured at fair value through profit or loss		**162**	(70)
Loans to customers		**(300,625)**	(164,110)
Other assets		**3,060**	11,003
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		**421,941**	54,134
Amounts due to banks and other credit institutions		**13,610**	2,609
Amounts payable under repurchase agreements		**261,001**	(16,974)
Other liabilities		**(2,773)**	1,877
Net cash flow from operating activities before corporate income tax		**625,728**	42,779
Corporate income tax paid		**(6,334)**	(2,358)
Net cash from operating activities		**619,394**	40,421
Cash flows from investing activities			
Proceeds from redemption of investment securities measured at amortised cost		**–**	4,834
Purchase of investment securities at fair value through other comprehensive income		**(818,857)**	(372,276)
Proceeds from sale of investment securities at fair value through other comprehensive income		**37,538**	71,877
Proceeds from redemption of investment securities at fair value through other comprehensive income		**371,951**	342,386
Purchase of property and equipment and intangible assets		**(6,202)**	(3,623)
Proceeds from sale of property and equipment and intangible assets		**53**	1
Net cash (used in)/from investing activities		**(415,517)**	43,199
Cash flows from financing activities			
Repayment of financial lease liabilities		**(615)**	(527)
Repayment of subordinated debt		**–**	(2,313)
Redemption of debt securities issued		**(3,067)**	(11,382)
Proceeds from placement of debt securities issued		**3,907**	11,551
Dividends paid	17	**(58,214)**	(49,034)
Net cash used in financing activities		**(57,989)**	(51,705)
Net change in cash and cash equivalents		**145,888**	31,915
Effect of changes in exchange rates on cash and cash equivalents		**6,529**	(535)
Effect of expected credit loss on cash and cash equivalents		**(1)**	6
Cash and cash equivalents as at the beginning of the period		**704,042**	457,962
Cash and cash equivalents at the end of the period		**856,458**	489,348
Non-monetary transactions			
Repossession of collateral on loans to customers		**1,395**	1,251

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2024

(millions of tenge)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Retained earnings*	*Total equity*
At 1 January 2024	**332,815**	**23,651**	**(3,465)**	**(6,044)**	**82,851**	**429,808**
Profit for the reporting period (unaudited)	–	–	–	–	**112,622**	**112,622**
Other comprehensive income, that will not to be reclassified subsequently to profit or loss (unaudited)	–	–	–	**3**	–	**3**
Other comprehensive income, that will be reclassified subsequently to profit or loss (unaudited)	–	–	–	**13,931**	–	**13,931**
Total comprehensive income for the period (unaudited)	–	–	–	**13,934**	**112,622**	**126,556**
Dividends declared (*Note 17*) (unaudited)	–	–	–	–	**(58,215)**	**(58,215)**
At 30 September 2024 (unaudited)	**332,815**	**23,651**	**(3,465)**	**7,890**	**137,258**	**498,149**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total equity*
At 1 January 2023	332,815	23,651	(3,465)	(23,886)	14,645	343,760
Profit for the reporting period (unaudited)	–	–	–	–	86,573	86,573
Other comprehensive income, that will not to be reclassified subsequently to profit or loss (unaudited)	–	–	–	(803)	–	(803)
Other comprehensive income, that will be reclassified subsequently to profit or loss (unaudited)	–	–	–	11,771	–	11,771
Total comprehensive income for the period (unaudited)	–	–	–	10,968	86,573	97,541
Transfer of accumulated revaluation reserve resulting from disposal of equity instruments at fair value through other comprehensive income (unaudited)	–	–	–	–	803	803
Dividends declared (*Note 17*) (unaudited)	–	–	–	–	(49,034)	(49,034)
At 30 September 2023 (unaudited)	332,815	23,651	(3,465)	(12,918)	52,987	393,070

The accompanying notes on pages 7 to 46 are an integral part of these interim condensed consolidated financial statements

(millions of tenge)

1. General

Principal activities

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

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

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

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. As at 30 September 2024, some debt securities issued by the Bank are listed on the Luxembourg Stock Exchange, Kazakhstan Stock Exchange (hereinafter, the "KASE") and Astana International Exchange (hereinafter, the "AIX") (31 December 2023: 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 30 September 2024 and 31 December 2023, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge - up to 20 million tenge.

As at 30 September 2024 and 31 December 2023, the Group includes the following subsidiaries:

			Ownership, %	
Name	***Country of incorporation***	***Principal activity***	***30 September 2024 (unaudited)***	***31 December 2023***
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	**100.0**	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	**100.0**	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	**100.0**	100.0

Shareholders

As at 30 September 2024, Mr. B.Zh. Utemuratov is a beneficial owner of 90,91% of the outstanding ordinary shares of the Bank (including 0.2% in the form of outstanding global depositary receipts) (31 December 2023: 81.82% including 0.2% in the form of outstanding global depositary receipts) and is an ultimate controlling shareholder of the Group.

(millions of tenge)

2. Basis of preparation

Statement of compliance with IAS 34 *Interim Financial Reporting*

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2024 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023.

The interim condensed consolidated financial statements are presented in millions of the Kazakhstan Tenge ("Tenge" or "KZT"), unless otherwise is stated.

Basis of measurement

These interim condensed consolidated financial statements are prepared on the historical cost basis except for the investment securities measured at fair value through other comprehensive income and securities and other derivative financial instruments measured at fair value through profit or loss that are stated at fair value.

Functional and presentation currency

The functional currency of the Bank and its subsidiaries is the Kazakhstan 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. As at 30 September 2024, the official exchange rate used for translation of foreign currency balances was 481.19 tenge for 1 US dollar (31 December 2023: 454.56 tenge per 1 US dollar).

The Kazakhstan Tenge is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

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

Geopolitical events

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

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

In order to manage country risk, the Group controls transactions with counterparties within the limits set by the collegiate body of the Group, 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. As at 30 September 2024, the annual inflation was 8.3% (2023: 9.8%).

As at 31 December 2023, the Monetary Policy Committee of the National Bank of Kazakhstan (hereinafter, the "NBRK") made a decision to reduce the base rate to 15.75% per annum with an interest band of +/-1 percentage points. As at 30 September 2024, the NBRK made a decision to reduce the base rate to 14.25% per annum with an interest band of +/-1 percentage points. On 29 November 2024 the NBRK made a decision to increase the base rate to 15.25% per annum with an interest rate collar of +/-1 percentage points.

(millions of tenge)

2. Basis of preparation (continued)

Inflation and the current economic environment (continued)

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

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

Changes in accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied by the Group in the last annual consolidated financial statements, except for accounting for spot transactions for buying and selling foreign currencies.

The Group has switched from the settlement date accounting to the foreign exchange spot transaction settlement date accounting; these transactions are settled on the second day or within two business days after the transaction date; according to this method, the purchased asset is recognised at the settlement date (i.e. at the date when the asset is delivered to the Group), and the sold asset is derecognised and gain or loss on disposal of the asset and account receivable from the buyer are recognised at the settlement date (i.e. at the date when the asset is delivered by the Group).

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

Other amendments and interpretations are applied for the first time in 2024 but do not have any impact on the Group's interim condensed consolidated financial statements.

A number of new standards and amendments to standards came into force on 1 January 2024 but they had no material effect on the Group's interim condensed consolidated financial statements:

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

Reclassification

The following reclassifications were made in the consolidated statement of comprehensive income for the three-month period ended 30 September 2023 to conform to changes in presentation for the three-month period ended 30 September 2024:

	For the three-month period ended 30 September 2023		
Consolidated Statement of Comprehensive Income	***As previously reported***	***Effect of reclassification***	***As reclassified***
Net (loss)/gain on financial instruments at fair value through profit or loss	(499)	905	406
Net foreign exchange gain	7,085	(905)	6,180
Dealing transactions, net	*7,470*	*564*	*8,034*
Foreign exchange revaluation, net	*(385)*	*(1,469)*	*(1,854)*
	6,586	**–**	**6,586**

(millions of tenge)

2. Basis of preparation (continued)

Reclassification (continued)

The following reclassifications were made in the consolidated statement of comprehensive income for the nine-month period ended 30 September 2023 to conform to changes in presentation for the nine-month period ended 30 September 2024:

	For the nine-month period ended 30 September 2023		
Consolidated Statement of Comprehensive Income	***As previously reported***	***Effect of reclassification***	***As reclassified***
Net (loss)/gain on financial instruments at fair value through profit or loss	(893)	905	12
Net foreign exchange gain	24,618	(905)	23,713
Dealing transactions, net	*24,824*	*564*	*25,388*
Foreign exchange revaluation, net	*(206)*	*(1,469)*	*(1,675)*
	23,725	**–**	**23,725**

The following reclassifications were made in the consolidated statement of cash flows for the nine-month period ended 30 September 2023 to conform to changes in presentation for the nine-month period ended 30 September 2024:

	For the nine-month period ended 30 September 2023		
Consolidated Statement of Cash Flows	***As previously reported***	***Effect of reclassification***	***As reclassified***
Cash flows from operating activities			
Net realised (loss)/income on financial instruments at fair value through profit or loss	(855)	905	50
Net realised foreign exchange gain	24,824	564	25,388
(Increase)/decrease in operating assets			
Other assets	12,472	(1,469)	11,003
	36,441	**–**	**36,441**
Net cash flows from operating activities	**40,421**	**–**	**40,421**

3. Significant accounting judgements and estimates

Estimation uncertainty

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the interim condensed consolidated financial statements. Actual results may differ from those estimates.

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

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the interim condensed consolidated financial statements. The judgements made in applying the accounting policies and the key sources of estimation uncertainty were similar to those described in the last annual consolidated financial statements, except for the changes disclosed below.

(millions of tenge)

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Forward-looking information and multiple economic scenarios

As at 30 September 2024, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- GDP growth;
- USD/KZT rate;
- Oil price (Brent);
- Inflation.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK and international credit institutions).

The indicators of key macroeconomic factors used in ECL calculations as at 30 September 2024 have not changed significantly compared to the macroeconomic factors the Group used in calculating ECL as of 31 December 2023.

The amount of the allowance for ECL for loans to customers recognised in the interim condensed consolidated statement of financial position as at 30 September 2024 was 85,613 million tenge (31 December 2023: 90,263 million tenge). More details are provided in *Note 12*.

(millions of tenge)

4. Net interest income

Net interest income comprises the following:

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Interest income calculated using effective interest rate				
Loans to customers	**82,026**	63,449	**228,645**	174,438
Debt investment securities at FVOCI	**31,970**	18,579	**75,753**	53,585
Amounts due from credit institutions	**17,143**	5,280	**59,796**	16,602
Investment securities measured at amortised cost	**4,318**	4,288	**12,847**	12,902
Amounts receivable under reverse repurchase agreements	**409**	3,084	**1,736**	5,417
Other financial assets	**287**	430	**899**	1,068
	136,153	95,110	**379,676**	264,012
Other interest income				
Finance lease receivables	**1,500**	965	**4,017**	2,400
	137,653	96,075	**383,693**	266,412
Interest expense				
Current accounts and deposits of customers	**(47,181)**	(34,113)	**(133,644)**	(91,010)
Amounts payable under repurchase agreements	**(12,191)**	(2,328)	**(31,500)**	(10,873)
Debt securities issued	**(8,675)**	(7,871)	**(24,733)**	(23,085)
Amounts due to banks and other credit institutions	**(1,375)**	(885)	**(3,791)**	(2,631)
Subordinated debt	**(284)**	(284)	**(852)**	(852)
	(69,706)	(45,481)	**(194,520)**	(128,451)
Net interest income	**67,947**	50,594	**189,173**	137,961

Interest income calculated using the effective interest rate for the nine-month period ended 30 September 2024 includes income of 9,374 million tenge and 19,651 million tenge representing the unwinding of discount on loans to customers and investment securities measured at FVOCI, respectively (for the nine-month period ended 30 September 2023: 7,983 million tenge and 13,176 million tenge, respectively).

Interest income received is as follows:

	For the nine-month period ended 30 September	
	2024 (unaudited)	***2023 (unaudited)***
Interest income received		
Loans to customers	**215,747**	167,445
Amounts due from credit institutions	**62,458**	16,602
Debt investment securities at FVOCI	**59,442**	59,159
Investment securities measured at amortised cost	**11,609**	11,558
Finance lease receivables	**4,017**	2,393
Amounts receivable under reverse repurchase agreements	**1,736**	5,417
	355,009	262,574

(millions of tenge)

4. Net interest income (continued)

Interest expense paid comprise:

	For the nine-month period ended 30 September	
	2024 (unaudited)	***2023 (unaudited)***
Interest expenses paid		
Current accounts and deposits of customers	**(134,992)**	(91,172)
Amounts payable under repurchase agreements	**(31,368)**	(10,679)
Debt securities issued	**(5,621)**	(5,400)
Amounts due to banks and other credit institutions	**(2,423)**	(2,260)
Subordinated debt	**(593)**	(686)
	(174,997)	(110,197)

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

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

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Net gain/(loss) on change in fair value of trading securities	**(11)**	(44)	**10**	34
Net gain/(loss) on derivative financial instruments	**915**	450	**5,270**	(22)
	904	406	**5,280**	12

6. Net foreign exchange gain

Net foreign exchange gain comprises:

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Dealing transactions, net	**8,741**	8,034	**23,368**	25,388
Foreign exchange revaluation, net	**(2,056)**	(1,854)	**(6,444)**	(1,675)
	6,685	6,180	**16,924**	23,713

(millions of tenge)

7. Credit loss expenses

Credit loss expenses comprise the following:

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Loans to customers *(Note 12)*	**(16,877)**	(9,581)	**(33,384)**	(31,239)
Investment securities measured at FVOCI	**183**	19	**(698)**	(195)
Other financial assets	**(142)**	(551)	**(363)**	(1,286)
Investment securities measured at amortised cost	**27**	18	**41**	(3)
Amounts due from credit institutions	**6**	53	**78**	(69)
Financial guarantees, letters of credit and credit related commitments	**5**	16	**1**	16
Cash and cash equivalents	**4**	8	**(1)**	6
	(16,794)	(10,018)	**(34,326)**	(32,770)

8. General and administrative expenses

General and administrative expenses comprise:

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Salary and related taxes	**(11,733)**	(10,873)	**(36,046)**	(31,153)
Depreciation and amortisation	**(3,679)**	(2,243)	**(8,397)**	(6,554)
Telecommunication and information services	**(2,093)**	(2,190)	**(5,199)**	(4,286)
Charity and sponsorship	**(107)**	(4,072)	**(3,191)**	(6,735)
Taxes other than corporate income tax	**(1,391)**	(879)	**(2,862)**	(2,317)
Advertising and marketing	**(497)**	(1,018)	**(2,315)**	(2,224)
Maintenance of buildings	**(434)**	(413)	**(1,350)**	(1,275)
Security	**(274)**	(242)	**(821)**	(755)
Repair and maintenance	**(356)**	(249)	**(692)**	(543)
Encashment	**(221)**	(143)	**(632)**	(420)
Other professional services	**(169)**	(162)	**(499)**	(497)
Transportation services	**(147)**	(120)	**(478)**	(388)
Business trips	**(170)**	(150)	**(406)**	(308)
Lease	**(98)**	(87)	**(291)**	(252)
Other	**(74)**	(205)	**(265)**	(840)
	(21,443)	(23,046)	**(63,444)**	(58,547)

During the nine-month period ended 30 September 2024 and 30 September 2023, the Group provided a sponsorship to Bulat Utemuratov Foundation Private Fund for construction of a school in the city of Essik (Almaty Region). The school with a total area of 12,5 thousand square meters has a 900 schoolchildren-capacity. The construction of the school was completed in September 2024.

(millions of tenge)

9. Corporate income tax expense

Corporate income tax expense is as follows:

	For the nine-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Current corporate income tax expenses	**(2,650)**	52	**(8,598)**	(736)
Deferred corporate income tax (expenses)/benefit – origination and decrease of temporary differences	**(876)**	(764)	**(2,114)**	1,281
	(3,526)	(712)	**(10,712)**	545

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim condensed consolidated financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

10. Cash and cash equivalents

Cash comprises:

	30 September 2024 (unaudited)	***31 December 2023***
Cash on hand	**69,459**	68,036
Cash on current accounts with the NBRK	**43,993**	39,459
Cash on current accounts with other banks:		
- rated from A- to A+	**38,988**	43,716
- rated from BBB- to BBB+	**3,174**	2,384
- rated from BB- to BB+	**111**	238
- rated below B+	**25**	5
- not rated	**13,143**	6,894
Time deposits with the NBRK with contractual maturity of 90 days or less	**609,649**	355,798
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days and less	**39,563**	169,171
Time deposits with other banks rated at A- with contractual maturity 90 days or less	**33,688**	15,067
Time deposits with credit institutions not rated with contractual maturity 90 days or less	**4,669**	3,276
Cash and cash equivalents before allowance for ECL	**856,462**	704,044
Allowance for ECL	**(4)**	(2)
Cash and cash equivalents	**856,458**	704,042

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 30 September 2024, cash balances of 182 million tenge with no external rating assigned are allocated to Stage 2. As at 31 December 2023, cash balances of 3,240 million tenge with no external rating assigned and allowance for ECL of 1 million tenge are allocated to Stage 2. The remaining cash is allocated to Stage 1.

As at 30 September 2024, current account balances with other non-rated banks comprise mainly balances of 13,112 million tenge on current accounts with Russian banks and credit institutions that are not subject to sanctions (31 December 2023: 6,868 million tenge).

(millions of tenge)

10. Cash and cash equivalents (continued)

As at 30 September 2024, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan and NBRK notes, the fair value of which as at 30 September 2024 is 39,622 million tenge (31 December 2023: bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, "KSF"), Eurasian Development Bank and Asian Development Bank, with fair value of 168,970 million tenge).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified liabilities of second-tier banks. 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 30 September 2024, minimum reserve requirements of the Group amount to 52,557 million tenge (31 December 2023: 46,859 million tenge).

Concentration of cash and cash equivalents

As at 30 September 2024, the Group has accounts with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2023: one bank). The total balance on the accounts with the above counterparty as at 30 September 2024 amounts to 653,642 million tenge (31 December 2023: 395,257 million tenge).

11. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2024 (unaudited)	*31 December 2023*
Current accounts with the NBRK restricted in use	**14,339**	9,696
Deposits with the NBRK with up to 90 days or more	**–**	70,846
Loans to other banks	**6,040**	–
Deposits with other banks:		
- not rated	**659**	636
Contingent deposits and deposits pledged as a collateral:		
- rated from AA- to AA+	**12,493**	11,387
- rated from A- to A+	**4,341**	114
- rated from BBB- to BBB+	**366**	159
- not rated	**9,821**	9,487
Amounts due from credit institutions before allowance for ECL	**48,059**	102,325
Allowance for ECL	**(844)**	(895)
Amounts due from credit institutions	**47,215**	101,430

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

Amounts on current accounts with the NBRK restricted in use include funds received by the Group as part of participation in the state program of lending businesses. As at 30 September 2024 and 31 December 2023, these funds include amounts allocated by Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC, and Industrial Development Fund JSC in favour of the Group to support entrepreneurship and provide preferential loans to individuals for the purchase of domestically produced passenger vehicles.

As at 30 September 2024, loans to other banks include loans issued for a total amount of 15.5 million US dollars (30 September 2024: equivalent of 6,040 million tenge), maturing in 2024-2025 and bearing interest rates of 3.5%-7.56% per annum.

As at 30 September 2024 and 31 December 2023, all balances of amounts due from credit institutions are allocated to Stage 1 for ECL measurement purposes.

(millions of tenge)

11. Amounts due from credit institutions (continued)

As at 30 September 2024, deposits with other banks with no external credit rating assigned primarily include KASE margin collateral in the amount of 9,766 million tenge (31 December 2023: 5,815 million tenge).

As at 30 September 2024 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 16,368 million tenge (as at 31 December 2023: 14,976 million tenge).

As at 30 September 2024, the Group has amounts due from four credit institutions which individual balances exceed 10% of total due from credit institutions (31 December 2023: from two credit institutions). As at 30 September 2024, the total amount of such balances is 41,705 million tenge (31 December 2023: 91,902 million tenge).

12. Loans to customers

Loans to customers comprise:

	30 September 2024 (unaudited)				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	**683,301**	**2,497**	**843**	**850**	**687,491**
Total individually significant loans	**683,301**	**2,497**	**843**	**850**	**687,491**
Individually insignificant loans					
Corporate loans	**342,543**	**6,675**	**13,515**	**1,359**	**364,092**
Consumer loans	**413,315**	**25,253**	**50,693**	**1**	**489,262**
Car loans	**139,884**	**280**	**185**	**18**	**140,367**
Credit cards	**2,597**	**208**	**1,071**	**–**	**3,876**
Mortgage loans	**25,229**	**234**	**847**	**3,231**	**29,541**
Other loans secured by collateral	**30,126**	**751**	**8,647**	**5,704**	**45,228**
Total individually insignificant loans	**953,694**	**33,401**	**74,958**	**10,313**	**1,072,366**
Loans to customers before allowance for ECL	**1,636,995**	**35,898**	**75,801**	**11,163**	**1,759,857**
Allowance for ECL	**(19,313)**	**(12,090)**	**(51,196)**	**(3,014)**	**(85,613)**
Loans to customers	**1,617,682**	**23,808**	**24,605**	**8,149**	**1,674,244**

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

(millions of tenge)

12. Loans to customers (continued)

The following table provides information on the credit quality of loans to legal entities as at 30 September 2024:

	30 September 2024 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to large corporate business (CB)					
Not overdue	**518,068**	**–**	**843**	**–**	**518,911**
Expected credit losses	**(2,378)**	**–**	**–**	**–**	**(2,378)**
Total loans to CB	**515,690**	**–**	**843**	**–**	**516,533**

Analysis of credit quality of loans to legal entities:

	30 September 2024 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to small and medium businesses (SMB)					
Not overdue	**498,110**	**4,469**	**4,751**	**1,467**	**508,797**
Overdue for less than 30 days	**9,566**	**2,721**	**215**	**386**	**12,888**
Overdue for 30 to 89 days	**100**	**1,982**	**632**	**37**	**2,751**
Overdue for 90 to 179 days	**–**	**–**	**2,406**	**–**	**2,406**
Overdue for 180 to 360 days	**–**	**–**	**1,598**	**–**	**1,598**
Overdue for more than 360 days	**–**	**–**	**3,913**	**319**	**4,232**
Expected credit losses	**(4,003)**	**(1,044)**	**(5,312)**	**(753)**	**(11,112)**
Total loans to SMB	**503,773**	**8,128**	**8,203**	**1,456**	**521,560**

Analysis of credit quality of loans to individuals:

The following table provides information on the credit quality of loans to individuals at 30 September 2024:

	30 September 2024 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Not overdue	**609,677**	**1,085**	**6,304**	**7,378**	**624,444**
Overdue for less than 30 days	**1,474**	**12,154**	**1,170**	**388**	**15,186**
Overdue for 30 to 89 days	**–**	**13,486**	**1,196**	**146**	**14,828**
Overdue for 90 to 179 days	**–**	**–**	**14,192**	**99**	**14,291**
Overdue for 180 to 360 days	**–**	**–**	**20,760**	**250**	**21,010**
Overdue for more than 360 days	**–**	**1**	**17,821**	**693**	**18,515**
Expected credit losses	**(12,932)**	**(11,046)**	**(45,884)**	**(2,261)**	**(72,123)**
Total loans to retail customers	**598,219**	**15,680**	**15,559**	**6,693**	**636,151**

(millions of tenge)

12. Loans to customers (continued)

Analysis of credit quality of loans to legal entities (continued):

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

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

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

Analysis of credit quality of loans to individuals:

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

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Not overdue	490,066	289	6,098	7,918	504,371
Overdue for less than 30 days	5,501	7,977	863	647	14,988
Overdue for 30 to 89 days	27	9,669	1,089	371	11,156
Overdue for 90 to 179 days	–	320	10,735	342	11,397
Overdue for 180 to 360 days	–	–	16,553	331	16,884
Overdue for more than 360 days	–	–	20,658	8,542	29,200
Expected credit losses	(13,567)	(8,492)	(42,432)	(8,397)	(72,888)
Total loans to retail customers	482,027	9,763	13,564	9,754	515,108

(millions of tenge)

12. Loans to customers (continued)

Analysis of credit quality for corporate customers

The table below provides the credit quality analysis for corporate customers according to internal ratings as at 30 September 2024:

	30 September 2024 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
rated AA-	**15,270**	–	–	–	**15,270**
rated A+	**4,607**	–	–	–	**4,607**
rated A	**62,713**	–	–	–	**62,713**
rated A-	**21,212**	–	–	–	**21,212**
rated BBB+	**30,121**	–	–	–	**30,121**
rated BBB-	**72,496**	–	–	–	**72,496**
rated BBB	**20,879**	–	–	–	**20,879**
rated BB+	**58,884**	–	–	–	**58,884**
rated BB	**99,080**	–	–	–	**99,080**
rated BB-	**123,429**	–	–	–	**123,429**
rated B+	**2,799**	–	–	–	**2,799**
rated B	**6,578**	–	–	–	**6,578**
Default	–	–	**843**	–	**843**
Expected credit losses	**(2,378)**	–	–	–	**(2,378)**
Total loans to corporate customers	**515,690**	–	**843**	–	**516,533**

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

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

(millions of tenge)

12. Loans to customers (continued)

Analysis of movements in allowance for ECL

An analysis of movements in the allowance for ECL for loans to legal entities of corporate business for the nine-month period ended 30 September 2024 is as follows:

	For the nine-month period ended 30 September 2024 (unaudited)				
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	**(2,737)**	**(17)**	**–**	**–**	**(2,754)**
New assets originated or purchased	**(1,963)**	**–**	**–**	**–**	**(1,963)**
Assets derecognised or repaid (excluding write-offs)	**2,353**	**17**	**791**	**–**	**3,161**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**54**	**–**	**–**	**–**	**54**
Unwinding of discount	**–**	**–**	**(15)**	**–**	**(15)**
Reversal of previously written-off amounts	**–**	**–**	**(791)**	**–**	**(791)**
Write-off	**–**	**–**	**15**	**–**	**15**
Effect from changes in exchange rates	**(85)**	**–**	**–**	**–**	**(85)**
At 30 September	**(2,378)**	**–**	**–**	**–**	**(2,378)**

An analysis of movements in the allowance for ECL on loans to legal entities of small and medium businesses for the nine-month period ended 30 September 2024 is as follows:

	For the nine-month period ended 30 September 2024 (unaudited)				
Loans to SMB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	**(3,895)**	**(443)**	**(9,002)**	**(1,281)**	**(14,621)**
New assets originated or purchased	**(3,171)**	**–**	**–**	**–**	**(3,171)**
Assets derecognised or repaid (excluding write-offs)	**1,458**	**150**	**3,003**	**807**	**5,418**
Transfers to Stage 1	**(467)**	**59**	**408**	**–**	**–**
Transfers to Stage 2	**540**	**(554)**	**14**	**–**	**–**
Transfers to Stage 3	**529**	**181**	**(710)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**1,002**	**(439)**	**(999)**	**(891)**	**(1,327)**
Unwinding of discount	**–**	**–**	**(905)**	**–**	**(905)**
Reversal of previously written-off amounts	**–**	**–**	**(1,311)**	**(784)**	**(2,095)**
Write-off	**–**	**–**	**4,192**	**1,401**	**5,593**
Effect from changes in exchange rates	**1**	**2**	**(2)**	**(5)**	**(4)**
At 30 September	**(4,003)**	**(1,044)**	**(5,312)**	**(753)**	**(11,112)**

(millions of tenge)

12. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on loans to individuals for the nine-month period ended 30 September 2024 is as follows:

	For the nine-month period ended 30 September 2024 (unaudited)				
Loans to retail customers	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	**(13,567)**	**(8,492)**	**(42,432)**	**(8,397)**	**(72,888)**
New assets originated or purchased	**(10,821)**	**–**	**–**	**–**	**(10,821)**
Assets derecognised or repaid (excluding write-offs)	**4,982**	**773**	**3,609**	**1,219**	**10,583**
Transfers to Stage 1	**(1,749)**	**637**	**1,112**	**–**	**–**
Transfers to Stage 2	**2,641**	**(3,345)**	**704**	**–**	**–**
Transfers to Stage 3	**2,863**	**5,917**	**(8,807)**	**27**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**2,720**	**(6,534)**	**(26,484)**	**(5,020)**	**(35,318)**
Unwinding of discount	**–**	**–**	**(7,876)**	**–**	**(7,876)**
Reversal of previously written-off amounts	**–**	**–**	**(1,891)**	**(1,181)**	**(3,072)**
Write-off	**–**	**–**	**36,181**	**11,090**	**47,271**
Effect from changes in exchange rates	**(1)**	**(2)**	**–**	**1**	**(2)**
At 30 September	**(12,932)**	**(11,046)**	**(45,884)**	**(2,261)**	**(72,123)**

An analysis of movements in the allowance for ECL on loans to legal entities for the nine-month period ended 30 September 2023 is as follows:

	For the nine-month period ended 30 September 2023 (unaudited)				
Loans to CB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	(3,929)	(2)	(581)	(49)	(4,561)
New assets originated or purchased	(1,952)	–	–	–	(1,952)
Assets derecognised or repaid (excluding write-offs)	2,920	2	1,615	–	4,537
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	975	–	(320)	–	655
Unwinding of discount	–	–	(76)	–	(76)
Reversal of previously written-off amounts	–	–	(1,503)	–	(1,503)
Write-off	–	–	240	–	240
Effect from changes in exchange rates	25	–	16	–	41
At 30 September	(1,961)	–	(609)	(49)	(2,619)

(millions of tenge)

12. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

Analysis of movements in allowance for ECL (continued)

An analysis of movements in the allowance for ECL on loans to legal entities of small and medium businesses for the nine-month period ended 30 September 2023 is as follows:

	For the nine-month period ended 30 September 2023 (unaudited)				
Loans to SMB	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	(9,454)	(530)	(4,399)	(44)	(14,427)
New assets originated or purchased	(2,616)	–	–	–	(2,616)
Assets derecognised or repaid (excluding write-offs)	863	79	1,735	31	2,708
Transfers to Stage 1	(317)	267	50	–	–
Transfers to Stage 2	187	(187)	–	–	–
Transfers to Stage 3	599	38	(637)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	7,434	(54)	(5,095)	(111)	2,174
Unwinding of discount	–	–	(746)	–	(746)
Reversal of previously written-off amounts	–	–	(908)	(31)	(939)
Write-off	–	–	944	128	1,072
Effect from changes in exchange rates	–	–	11	–	11
At 30 September	(3,304)	(387)	(9,045)	(27)	(12,763)

An analysis of movements in the allowance for ECL on loans to individuals for the nine-month period ended 30 September 2023 is as follows:

	For the nine-month period ended 30 September 2023 (unaudited)				
Loans to retail customers	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL as at 1 January	(8,658)	(6,269)	(29,397)	(1,754)	(46,078)
New assets originated or purchased	(12,295)	–	–	–	(12,295)
Assets derecognised or repaid (excluding write-offs)	3,265	685	5,469	315	9,734
Transfers to Stage 1	(1,275)	867	408	–	–
Transfers to Stage 2	2,919	(3,103)	184	–	–
Transfers to Stage 3	3,232	4,265	(7,497)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	319	(4,649)	(24,995)	(4,859)	(34,184)
Unwinding of discount	–	–	(6,017)	–	(6,017)
Reversal of previously written-off amounts	–	–	(4,258)	(292)	(4,550)
Write-off	–	–	8,418	2,874	11,292
Effect from changes in exchange rates	–	–	13	–	13
At 30 September	(12,493)	(8,204)	(57,672)	(3,716)	(82,085)

12. Loans to customers (continued)

Key assumptions and judgements used in estimation of expected credit losses

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

- Applying a liquidity ratio varying from 0 to 0.95 to the revalued value of pledged property depending on the type of collateral (31 December 2023: from 0 to 0.95).
- The average period of collateral sale is between three (3) and six (6) years depending on the type of collateral according to the Group's historical data (31 December 2023: between three (3) and six (6) years).
- Where evidence of a significant increase in credit risk or impairment/default exists for individual assets since the date of initial recognition, the Group estimates the expected credit losses for each customer/group based on probability-weighted estimates of credit losses for various scenarios taking into account operating cash flows and/or cash flows from the sale of collateral.

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

- PD on loans allocated to Stage 1 ranged from 0.01% to 10.49% depending on the borrower's internal rating according to the renewed rating model (31 December 2023: from 0.05% to 14.62%).
- LGD on loans allocated to Stage 1 ranged from 8% to 29% (31 December 2023: from 24% to 45%).

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

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

- The approach used to estimate the probability of default is based on the number of days past due, taking into account the effects of macroeconomic information; the weighted-average 12-month PD by product group allocated to Stage 1 ranged from 0.01% to 27.76 % (31 December 2023: from 0.01% to 19.83%), the weighted-average lifetime PD allocated to Stage 2 ranged from 0.01% to 96.89% depending on the product group of the homogeneous portfolio (31 December 2023: from 0.01% to 97.38%).
- LGD on loans allocated to Stage 1 varied from 3% to 44% (31 December 2023: from 3% to 56%), LGD on loans allocated to Stage 2 was from 3% to 44% (31 December 2023: from 11% to 54%).

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

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

- The approach used to estimate the probability of default is based on the number of days past due, taking into account the effects of macroeconomic information; the weighted-average 12-month PD by product group allocated to Stage 1 ranged from 0.01% to 22.81% (31 December 2023: from 0.01 to 28.22%), the weighted-average lifetime PD allocated to Stage 2 ranged from 0.01% to 98.23% depending on the product group of the homogeneous retail portfolio (31 December 2023: from 0.17% to 96.90%).
- LGD on loans allocated to Stages 1 and 2 varied from 24% to 84% (31 December 2023: from 32% to 91%).

Concentration of loans to customers

As at 30 September 2024, the Group had a concentration of loans represented by 417,599 million tenge due from the ten largest groups of interrelated borrowers or 23.73% of the gross loan portfolio (31 December 2023: 321,700 million tenge or 21.92% of the gross loan portfolio). Allowance for ECL on these loans is 1,978 million tenge (31 December 2023: 1,373 million tenge).

(millions of tenge)

12. Loans to customers (continued)

Industry and geographical analysis of loans

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

	30 September 2024 (unaudited)	*31 December 2023*
Loans to retail customers	**708,274**	587,996
Metallurgy	**235,900**	161,602
Wholesale trade	**133,085**	133,381
Services provided by small and medium businesses	**118,981**	96,162
Financial services	**98,336**	78,902
Retail services	**69,643**	61,733
Chemical industry	**63,383**	60,031
Construction	**59,807**	39,749
Real estate activities	**53,563**	47,078
Food industry	**42,274**	45,177
Transport	**37,652**	43,872
Agriculture	**20,806**	13,498
Postal delivery and communication services	**18,006**	12,315
Manufacturing	**11,894**	10,432
Textile production	**10,327**	7,117
Metal products manufacturing	**5,414**	5,194
Production of crude oil and natural gas	**1,935**	1,456
Other	**70,577**	62,068
	1,759,857	1,467,763
Allowance for ECL	**(85,613)**	(90,263)
	1,674,244	1,377,500

The following table shows the expected maturities of loans to customers as at 30 September 2024 and 31 December 2023:

Loans to customers	*Less than 1 year*	*More than 1 year*	*Overdue*	*Total*
30 September 2024 (unaudited)	**793,406**	**871,940**	**8,898**	**1,674,244**
31 December 2023	632,128	732,679	12,693	1,377,500

13. Investment securities

Investment securities comprise securities measured at amortised cost and securities measured at FVOCI:

	30 September 2024 (unaudited)	*31 December 2023*
Investment securities		
Debt investment securities measured at amortised cost	**297,833**	288,695
Investment securities measured at FVOCI	**1,112,435**	664,959
	1,410,268	953,654

(millions of tenge)

13. Investment securities (continued)

Investment securities measured at FVOCI including those pledged under repurchase agreements comprise:

	30 September 2024 (unaudited)	*31 December 2023*
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AA+	**14,566**	13,610
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**1,014,516**	543,583
Total government bonds	**1,029,082**	557,193
Corporate bonds		
Rated from BBB- to BBB+	**42,102**	67,206
Rated from BB- to BB+	**24,681**	22,658
Rated from B- to B+	**–**	2,027
Total corporate bonds	**66,783**	91,891
Bonds of banks		
Rated from BBB- to BBB+	**1,240**	12,131
Rated from BB- to BB+	**7,612**	3,120
Not rated	**7,360**	285
Total bonds of banks	**16,212**	15,536
Investments in equity instruments		
Corporate shares	**358**	339
Total investments in equity instruments	**358**	339
Investment securities measured at FVOCI	**1,112,435**	664,959

The following table provides information on the credit quality of debt instruments measured at fair value through other comprehensive income as at 30 September 2024 and 31 December 2023.

	30 September 2024 (unaudited)			
Investment securities measured at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Rated from AA- to AA+	**14,566**	–	–	**14,566**
Rated from BBB- to BBB+	**1,057,858**	–	–	**1,057,858**
Rated from BB- to BB+	**14,002**	**18,291**	–	**32,293**
Not rated	–	**7,360**	–	**7,360**
Investment securities measured at FVOCI	**1,086,426**	**25,651**	–	**1,112,077**

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

(millions of tenge)

13. Investment securities (continued)

The following table shows the contractual maturities of investment securities measured at FVOCI as at 30 September 2024 and 31 December 2023:

Investment securities measured at FVOCI	Less than 1 year	More than 1 year	Overdue	Total
30 September 2024 (unaudited)	**341,830**	**770,605**	**–**	**1,112,435**
31 December 2023	230,578	434,381	–	664,959

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

As at 30 September 2024, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan with a total fair value of 426,168 million tenge, were pledged under the repurchase agreements entered into at the KASE.

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

14. Current accounts and deposits from customers

Current accounts and deposits from customers comprise:

	30 September 2024 (unaudited)	*31 December 2023*
Current accounts and demand deposits		
- Retail	**126,775**	145,682
- Corporate	**784,312**	560,584
Term deposits		
- Retail	**749,010**	701,834
- Corporate	**937,940**	747,627
Guarantee deposits		
- Retail	**37,643**	34,721
- Corporate	**95,803**	70,575
	2,731,483	2,261,023
Held as security against letters of credit and guarantees *(Note 20)*	**(801)**	(452)

Concentration of current accounts and deposits from customers

As at 30 September 2024, total amount of account balances of top 10 clients amounted to 545,523 million tenge or 19.97% of total current accounts and deposits from customers (31 December 2023: 277,877 million tenge or 12.29%).

As at 30 September 2024, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 371,934 million tenge (31 December 2023: 363,224 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 Group 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. The Group is obligated to repay term and/or conditional deposits or a part thereof within seven calendar days from the date of receipt of the depositor's demand on repayment, and saving deposits – within thirty calendar days from the date of the depositor's demand.

(millions of tenge)

15. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

	30 September 2024 (unaudited)	*31 December 2023*
Loans from governmental organisations	**67,948**	54,549
Liabilities due to Kazakhstan Sustainability Fund JSC	**14,414**	13,835
	82,362	68,384

As at 30 September 2024, loans from governmental organisations included loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 46,946 million tenge, 10,924 million tenge and 10,058 million tenge, respectively (31 December 2023: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 41,064 million tenge, 7,705 million tenge and 5,748 million tenge, respectively), within the framework of the state programme to support small and medium-sized businesses by the banking sector, as well as the state programme of concessional lending to individuals to purchase passenger vehicles of a domestic manufacturer.

The loan received from Industrial Development Fund JSC in May 2022, with maturity at the end of 2052, in the amount of 15,000 million tenge was recognised at fair value, at a market rate of 14.12% per annum. In March 2024, the Group and Industrial Development Fund JSC revised the terms of the said loan, including by setting a new maturity date until mid-2030. The revision of the loan terms resulted in a substantial modification of the financial liability, which was accounted for as the extinguishment of the original financial liability and recognition of a new financial liability which was recognised at fair value using a market rate of 16.62% per annum. As a result of the substantial modification of the loan terms, the Group recognised a loss of 3,593 million tenge, inclusive of derecognition of a deferred liability in the foam of a government grant, in the interim condensed consolidated statement of comprehensive income.

During the nine-month period ended 30 September 2024, the Group and Development Bank of Kazakhstan JSC have concluded agreements for raising additional loans in the amount of 9,000 million tenge, bearing a nominal interest rate of 2.0% per annum, as part of the government programme to support small and medium-sized businesses by the banking sector. The loans were recognised at fair value, using the market rate of 16.90% per annum. As a result, the Group recognised a discount on these loans in the amount of 6,462 million tenge and deferred income on the government grant in the same amount, in other liabilities.

The Group had no defaults and other breaches of repayment schedules and the terms of raising funds from banks and other credit institutions, related to principal and interest on the principal amount outstanding, as at 30 September 2024 and 31 December 2023.

16. Amounts payable under repurchase agreements

As at 30 September 2024, the Group has payables under repurchase agreements in the amount of 424,591 million tenge, which are collateralized by investment securities with a total fair value of 426,168 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) *(Note 13)*.

As at 31 December 2023, the Group has payables under repurchase agreements in the amount of 163,523 million tenge, which are collateralized by investment securities with a total fair value of 164,168 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, and KSF) *(Note 13)*.

(millions of tenge)

17. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 30 September 2024 and 31 December 2023 are as follows:

	30 September 2024 (unaudited)	*31 December 2023*
Ordinary shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of repurchased shares	**(1,934,434,197)**	(1,934,434,197)
Number of outstanding shares	**90,452,669,892**	90,452,669,892
Total share capital, millions of tenge	**329,350**	329,350

In accordance with the resolution of the shareholders dated 17 April 2024, the Bank declared dividends on ordinary shares for the year ended 31 December 2023, in the amount of 58,215 million tenge, at the rate of 0.6436 tenge per ordinary share. As at 30 September 2024, the Bank paid dividends in the amount of 58,214 million tenge. In accordance with the resolution of shareholders dated 2 May 2023, the Bank declared and paid dividends on ordinary shares for the year ended 31 December 2022, in the amount of 49,034 million tenge, at the rate of 0.5421 tenge per ordinary share.

18. Earnings per share

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

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	*2023 (unaudited)*	*2024 (unaudited)*	*2023 (unaudited)*
Net profit attributable to shareholders of the Bank	**37,857**	29,227	**112,622**	86,573
A weighted-average number of ordinary shares	**90,452,669,892**	90,452,669,892	**90,452,669,892**	90,452,669,892
Basic and diluted earnings per ordinary share, in tenge	**0.42**	0.32	**1.25**	0.96

As at 30 September 2024 and 30 September 2023, the Bank had no financial instruments diluting earnings per share.

(millions of tenge)

19. 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 30 September 2024 and 31 December 2023, the Bank had complied in full with all 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 maximise shareholders' value.

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

The NBRK sets and monitors capital requirements for the Bank.

In accordance with the requirements set by the NBRK, and effective from 1 January 2024, 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 8%;
- 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 9%;
- 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 10.5%.

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 30 September 2024 and 31 December 2023:

	30 September 2024 (unaudited)	***31 December 2023***
Tier 1 capital	**472,209**	406,750
Tier 2 capital	**6,259**	8,145
Total regulatory capital	**478,468**	414,895
Total risk-weighted statutory assets, contingent liabilities and operational and market risk	**2,203,333**	1,953,598
k1 ratio	**21.4%**	20.8%
k1-2 ratio	**21.4%**	20.8%
k2 ratio	**21.7%**	21.2%

(millions of tenge)

20. Commitments and contingencies

Political and economic environment

The 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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Management of the Group believes that it is taking appropriate measures to support the sustainability of the Group'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 commitments 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 commitments are set out in the following table by category.

	30 September 2024 (unaudited)	***31 December 2023***
Undrawn loan commitments	**508,711**	503,298
Guarantees issued	**159,592**	105,329
Letters of credit	**1,151**	1,745
	669,454	610,372
Less: amounts due to customers held as security against letters of credit and guarantees *(Note 14)*	**(801)**	(452)
Less: allowance for expected credit losses	**(1,889)**	(1,092)
	666,764	608,828

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.

(millions of tenge)

20. Commitments and contingencies (continued)

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 Group's operations and financial position.

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

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

21. Related party transactions

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

Total remuneration to 12 members of the Management Board and Board of Directors included in general and administrative expenses for the nine-month periods ended 30 September 2024 and 2023 is as follows:

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2024 (unaudited)	***2023 (unaudited)***	***2024 (unaudited)***	***2023 (unaudited)***
Members of the Board of Directors and Management Board	**654**	1,202	**2,536**	3,569
	654	1,202	**2,536**	3,569

These amounts include cash remuneration of the members of the Board of Directors and Management Board and related taxes.

As at 30 September 2024, the total amount of the Group's liabilities to pay remuneration to the members of the Board of Directors and Management Board amounted to 3,250 million tenge (31 December 2023: 3,752 million tenge).

(millions of tenge)

21. Related party transactions (continued)

Other related party transactions

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and related average effective interest rates as at 30 September 2024 and related profit or loss amounts of transactions for the nine-month period ended 30 September 2024 with related parties are as follows:

	30 September 2024 (unaudited)						
	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	–	–	–	–	**15,915**	**18%**	**15,915**
Other assets	–	–	**32**	–	**108**	–	**140**
Liabilities							
Current accounts and deposits from customers	**1,490**	**1%**	**34,056**	**11%**	**71,638**	**12%**	**107,184**
Other liabilities	–	–	**42**	–	**99**	–	**141**
Credit related commitments	–	–	–	–	**1**	–	**1**
Guarantees issued	–	–	–	–	**112**	–	**112**

	For the three-month period ended 30 September 2024 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	–	**704**	**704**
Interest expense	**(13)**	**(927)**	**(1,367)**	**(2,307)**
General and administrative expenses	–	**(41)**	**(135)**	**(176)**
Fee and commission income	**2**	**15**	**26**	**43**
Fee and commission expense	–	**1**	–	**1**
Other income	–	–	**205**	**205**
Other expenses	–	–	**(133)**	**(133)**

	For the nine-month period ended 30 September 2024 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	–	**1,994**	**1,994**
Interest expense	**(64)**	**(2,135)**	**(2,310)**	**(4,509)**
General and administrative expenses	–	**(2,993)**	**(375)**	**(3,368)**
Fee and commission income	**5**	**51**	**68**	**124**
Fee and commission expense	–	**(3)**	–	**(3)**
Other income	–	–	**569**	**569**
Other expenses	–	–	**(378)**	**(378)**

(millions of tenge)

21. Related party transactions (continued)

Other related party transactions (continued)

The outstanding balances and related average effective interest rates as at 31 December 2023 and related profit or loss amounts of transactions for the nine-month period ended 30 September 2023 with related parties are as follows:

	31 December 2023						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	In million tenge	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*
Assets							
Loans to customers	–	–	–	–	14,870	14%	14,870
Other assets	–	–	83	–	93	–	176
Liabilities							
Current accounts and deposits from customers	5,792	1%	49,917	9%	15,844	5%	71,553
Other liabilities	–	–	69	–	86	–	155
Credit related commitments	–	–	–	–	27,950	–	27,950
Guarantees issued	–	–	–	–	188	–	188

	For the three-month period ended 30 September 2023 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	–	269	269
Interest expense	(9)	(394)	(404)	(807)
General and administrative expenses	–	(4,095)	(157)	(4,252)
Fee and commission income	–	–	–	–
Fee and commission expense	–	40	–	40
Other income	–	–	315	315
Other expenses	–	–	(90)	(90)

	For the nine-month period ended 30 September 2023 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	–	992	992
Interest expense	(87)	(1,340)	(862)	(2,289)
General and administrative expenses	–	(6,772)	(423)	(7,195)
Fee and commission income	–	3	2	5
Fee and commission expense	–	(190)	–	(190)
Other income	–	–	315	315
Other expenses	–	(34)	(204)	(238)

(millions of tenge)

22. Segment reporting

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) include 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) includes extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities are 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 incudes 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).

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

(millions of tenge)

22 Segment reporting (continued)

	30 September 2024 (unaudited)					
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Total***
Assets						
Cash and cash equivalents	**890**	**25,357**	**39,757**	**686,033**	**104,421**	**856,458**
Amounts due to financial organisations	**10,106**	**3,398**	**402**	**32,876**	**433**	**47,215**
Securities measured at fair value through profit or loss	**–**	**–**	**–**	**2,868**	**–**	**2,868**
Loans to customers	**515,590**	**497,159**	**632,464**	**–**	**29,031**	**1,674,244**
Investment securities	**–**	**–**	**–**	**1,410,268**	**–**	**1,410,268**
Property, plant and equipment	**–**	**–**	**–**	**–**	**54,617**	**54,617**
Intangible assets	**–**	**–**	**–**	**–**	**15,385**	**15,385**
Other assets	**51**	**667**	**298**	**53**	**38,814**	**39,883**
Total assets	**526,637**	**526,581**	**672,921**	**2,132,098**	**242,701**	**4,100,938**
Liabilities						
Current accounts and deposits from customers	**958,502**	**855,716**	**917,217**	**–**	**48**	**2,731,483**
Amounts due to banks and other financial institutions	**17,225**	**39,346**	**14,083**	**187**	**11,521**	**82,362**
Amounts payable under repurchase agreements	**–**	**–**	**–**	**424,591**	**–**	**424,591**
Debt securities issued	**–**	**–**	**15,681**	**272,593**	**–**	**288,274**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**15,011**	**15,011**
Subordinated debt	**–**	**–**	**–**	**14,647**	**–**	**14,647**
Other liabilities	**64**	**358**	**7,150**	**11**	**38,838**	**46,421**
Total liabilities	**975,791**	**895,420**	**954,131**	**712,029**	**65,418**	**3,602,789**
Equity						
Share capital	**–**	**–**	**–**	**–**	**332,815**	**332,815**
Additional paid-in capital	**–**	**–**	**–**	**–**	**23,651**	**23,651**
Treasury shares	**–**	**–**	**–**	**–**	**(3,465)**	**(3,465)**
Fair value reserve	**–**	**–**	**–**	**–**	**7,890**	**7,890**
Retained earnings	**–**	**–**	**–**	**–**	**137,258**	**137,258**
Total equity attributable to shareholders of the Group	**–**	**–**	**–**	**–**	**498,149**	**498,149**

(millions of tenge)

22. Segment reporting (continued)

	31 December 2023					
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Total***
Assets						
Cash and cash equivalents	302	19,345	45,985	540,041	98,369	704,042
Amounts due to financial institutions	3,588	3,238	337	91,734	2,533	101,430
Securities measured at fair value through profit or loss	–	–	–	3,016	–	3,016
Loans to customers	423,696	416,983	510,484	-	26,337	1,377,500
Investment securities	–	–	–	953,654	–	953,654
Property, plant and equipment	–	–	–	–	56,665	56,665
Intangible assets	–	–	–	–	13,867	13,867
Other assets	66	461	959	81	41,434	43,001
Total assets	427,652	440,027	557,765	1,588,526	239,205	3,253,175
Liabilities						
Current accounts and deposits from customers	691,613	683,011	886,366	–	33	2,261,023
Amounts due to banks and other financial institutions	11,452	32,229	13,432	55	11,216	68,384
Amounts payable under repurchase agreements	–	–	–	163,523	–	163,523
Debt securities issued	–	–	14,480	252,770	–	267,250
Subordinated debt	–	–	–	14,389	–	14,389
Deferred tax liabilities	–	–	–	–	12,732	12,732
Other liabilities	15	220	10,344	9	25,478	36,066
Total liabilities	703,080	715,460	924,622	430,746	49,459	2,823,367
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	(6,044)	(6,044)
Retained earnings	–	–	–	–	82,851	82,851
Total equity attributable to shareholders of the Group	–	–	–	–	429,808	429,808

(millions of tenge)

22. Segment reporting (continued)

Information on the main reporting segments for the three- and nine month periods ended 30 September 2024 and 30 September 2023 is presented as follows:

	For the three-month period ended 30 September 2024 (unaudited)						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimination***	***Total***
Interest income	**16,690**	**23,003**	**41,924**	**53,671**	**2,365**	**–**	**137,653**
Transfer income	**22,068**	**21,988**	**24,537**	**24,253**	**(863)**	**(91,983)**	**–**
Interest expense	**(17,452)**	**(11,923)**	**(18,874)**	**(20,988)**	**(469)**	**–**	**(69,706)**
Transfer expense	**(10,715)**	**(13,936)**	**(18,406)**	**(54,070)**	**(84)**	**97,211**	**–**
Net interest income	**10,591**	**19,132**	**29,181**	**2,866**	**949**	**5,228**	**67,947**
Fee and commission income	**629**	**5,808**	**2,769**	**77**	**35**	**–**	**9,318**
Fee and commission expense	**(186)**	**(1,337)**	**(1,804)**	**(90)**	**(3)**	**–**	**(3,420)**
Net gains from financial instruments at fair value through profit or loss	**–**	**–**	**–**	**904**	**–**	**–**	**904**
Net gains on derecognition of investment securities at fair value through other comprehensive income	**–**	**–**	**–**	**133**	**–**	**–**	**133**
Net gains / (loss) on foreign currencies	**3,279**	**4,136**	**1,045**	**(1,886)**	**111**	**–**	**6,685**
Dividends received	**–**	**–**	**–**	**2**	**–**	**–**	**2**
Other income/(expense)	**(276)**	**102**	**119**	**11**	**608**	**–**	**564**
Non-interest income	**3,446**	**8,709**	**2,129**	**(849)**	**751**	**–**	**14,186**
Reversal of allowance for expected credit losses / (expenses on ECL)	**(345)**	**1,377**	**(14,574)**	**211**	**(3,463)**	**–**	**(16,794)**
Net loss on derecognition of financial assets measured at amortised cost	**–**	**–**	**(197)**	**–**	**(23)**	**–**	**(220)**
General and administrative expenses	**(1,038)**	**(5,880)**	**(11,268)**	**(297)**	**(2,960)**	**–**	**(21,443)**
Other income/(expense)	**28**	**(346)**	**(713)**	**(49)**	**(1,213)**	**–**	**(2,293)**
Non-interest expense	**(1,355)**	**(4,849)**	**(26,752)**	**(135)**	**(7,659)**	**–**	**(40,750)**
Other transfer income and expenses	**160**	**(717)**	**(219)**	**10,405**	**(4,401)**	**(5,228)**	**–**
Profit / (loss) before corporate income tax	**12,842**	**22,275**	**4,339**	**12,287**	**(10,360)**	**–**	**41,383**
Corporate income tax expense	**(658)**	**(1,141)**	**(222)**	**(629)**	**(876)**	**–**	**(3,526)**
Profit/(loss) for the period	**12,184**	**21,134**	**4,117**	**11,658**	**(11,236)**	**–**	**37,857**

(millions of tenge)

22. Segment reporting (continued)

	For the nine-month period ended 30 September 2024 (unaudited)						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Eliminatio n***	***Total***
Interest income	**47,689**	**63,490**	**116,284**	**149,531**	**6,699**	**–**	**383,693**
Transfer income	**62,773**	**59,714**	**71,569**	**57,843**	**6,483**	**(258,382)**	**–**
Interest expense	**(50,485)**	**(31,588)**	**(54,340)**	**(56,760)**	**(1,347)**	**–**	**(194,520)**
Transfer expense	**(31,594)**	**(38,977)**	**(49,730)**	**(149,745)**	**(340)**	**270,386**	**–**
Net interest income	**28,383**	**52,639**	**83,783**	**869**	**11,495**	**12,004**	**189,173**
Fee and commission income	**1,789**	**15,788**	**8,354**	**118**	**98**	**–**	**26,147**
Fee and commission expense	**(515)**	**(4,021)**	**(5,141)**	**(252)**	**(12)**	**–**	**(9,941)**
Net gains from financial instruments at fair value through profit or loss	**–**	**–**	**–**	**5,280**	**–**	**–**	**5,280**
Net gains on derecognition of investment securities at fair value through other comprehensive income	**–**	**–**	**–**	**231**	**–**	**–**	**231**
Net gains / (loss) on foreign currencies	**6,683**	**11,502**	**4,388**	**(5,770)**	**121**	**–**	**16,924**
Dividends received	**–**	**–**	**–**	**496**	**-**	**–**	**496**
Other income	**25**	**1,049**	**39**	**28**	**1,534**	**–**	**2,675**
Non-interest income	**7,982**	**24,318**	**7,640**	**131**	**1,741**	**–**	**41,812**
Reversal of allowance for expected credit losses / (expenses on ECL)	**811**	**(1,063)**	**(32,261)**	**(625)**	**(1,188)**	**–**	**(34,326)**
Net loss on derecognition of financial assets measured at amortised cost	**–**	**–**	**(321)**	**–**	**(445)**	**–**	**(766)**
Net loss on modification liabilities that does not result in derecognition	**–**	**–**	**(3,593)**	**–**	**–**	**–**	**(3,593)**
General and administrative expenses	**(3,492)**	**(17,837)**	**(30,532)**	**(1,165)**	**(10,418)**	**–**	**(63,444)**
Other expenses	**(24)**	**(817)**	**(2,161)**	**(123)**	**(2,397)**	**–**	**(5,522)**
Non-interest expense	**(2,705)**	**(19,717)**	**(68,868)**	**(1,913)**	**(14,448)**	**–**	**(107,651)**
Other transfer income and expenses	**458**	**(2,172)**	**(511)**	**26,636**	**(12,407)**	**(12,004)**	**–**
Profit / (loss) before corporate income tax	**34,118**	**55,068**	**22,044**	**25,723**	**(13,619)**	**–**	**123,334**
Corporate income tax expense	**(2,142)**	**(3,457)**	**(1,384)**	**(1,615)**	**(2,114)**	**–**	**(10,712)**
Profit/(loss) for the period	**31,976**	**51,611**	**20,660**	**24,108**	**(15,733)**	**–**	**112,622**

(millions of tenge)

22. Segment reporting (continued)

	For the three-month period ended 30 September 2023 (unaudited)						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Eliminatio n***	***Total***
Interest income	10,892	16,735	34,813	31,018	2,617	–	96,075
Transfer income	18,596	15,844	19,224	8,937	3,989	(66,590)	–
Interest expense	(14,219)	(6,752)	(13,675)	(10,434)	(401)	–	(45,481)
Transfer expense	(7,761)	(10,501)	(13,966)	(31,860)	(352)	64,440	–
Net interest income	7,508	15,326	26,396	(2,339)	5,853	(2,150)	50,594
Fee and commission income	533	5,124	3,552	8	70	–	9,287
Fee and commission expense	(145)	(1,552)	(1,232)	(36)	5	–	(2,960)
Net gains from financial instruments measured at fair value through profit or loss	–	–	–	406	–	–	406
Net loss on derecognition of investment securities measured at fair value through other comprehensive income	–	–	–	(158)	–	–	(158)
Net gains/(loss) on foreign currencies	2,572	3,838	859	(1,321)	232	–	6,180
Other (expenses)/income	(184)	122	(89)	1,551	1,282	–	2,682
Non-interest income	2,776	7,532	3,090	450	1,589	–	15,437
Credit loss expenses/reversal of allowance for expected credit losses	(260)	1,698	(7,484)	82	(4,054)	–	(10,018)
Net income/(loss) on derecognition of financial assets measured at amortised cost:	–	–	(1,844)	–	162	–	(1,682)
General and administrative expenses	(1,220)	(5,570)	(9,669)	(237)	(6,350)	–	(23,046)
Other expenses	(6)	(104)	(937)	-	(299)	–	(1,346)
Non-interest expense	(1,486)	(3,976)	(19,934)	(155)	(10,541)	–	(36,092)
Other transfer income and expenses	90	(822)	(237)	3,316	(4,497)	2,150	–
Profit / (loss) before corporate income tax	8,888	18,060	9,315	1,272	(7,596)	–	29,939
(Corporate income tax expense)/corporate income tax benefit	(198)	(439)	(79)	4	–	–	(712)
Profit/(loss) for the period	8,690	17,621	9,236	1,276	(7,596)	–	29,227

(millions of tenge)

22. Segment reporting (continued)

	For the nine-month period ended 30 September 2023 (unaudited)						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Eliminatio n***	***Total***
Interest income	32,244	45,639	94,745	87,873	5,911	–	266,412
Transfer income	50,238	46,196	51,726	32,390	12,202	(192,752)	–
Interest expense	(37,316)	(18,810)	(36,594)	(34,592)	(1,139)	–	(128,451)
Transfer expense	(23,125)	(29,068)	(38,022)	(87,665)	(1,171)	179,051	–
Net interest income	22,041	43,957	71,855	(1,994)	15,803	(13,701)	137,961
Fee and commission income	1,915	14,987	9,616	24	133	–	26,675
Fee and commission expense	(813)	(4,341)	(4,621)	(121)	(10)	–	(9,906)
Net gains from financial instruments measured at fair value through profit or loss	–	–	–	12	–	–	12
Net loss on derecognition of investment securities measured at fair value through other comprehensive income	–	–	–	(36)	–	–	(36)
Net foreign exchange gain	6,076	12,771	3,314	836	716	–	23,713
Dividends received	–	–	–	302	-	–	302
Other income/(expense)	(447)	465	(539)	1,548	5,155	–	6,182
Non-interest income	6,731	23,882	7,770	2,565	5,994	–	46,942
Credit loss expenses/reversal of allowance for expected credit losses	(744)	2,394	(31,050)	(294)	(3,076)	–	(32,770)
Net loss on derecognition of financial assets measured at amortised cost	–	–	(2,047)	–	(1,311)	–	(3,358)
General and administrative expenses	(3,379)	(15,114)	(25,350)	(1,821)	(12,883)	–	(58,547)
Other expenses	(11)	(202)	(2,746)	(45)	(1,196)	–	(4,200)
Non-interest expense	(4,134)	(12,922)	(61,193)	(2,160)	(18,466)	–	(98,875)
Other transfer income and expenses	339	(1,847)	(637)	2,294	(13,850)	13,701	–
Profit / (loss) before corporate income tax benefit	24,977	53,070	17,795	705	(10,519)	–	86,028
Corporate income tax benefit	141	300	100	4	–	–	545
Profit/(loss) for the period	25,118	53,370	17,895	709	(10,519)	–	86,573

(millions of tenge)

23. Fair value of financial instruments

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2024:

	30 September 2024 (unaudited)				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair value***	***Unrecognised income / (loss)***
Cash and cash equivalents	**–**	**856,458**	**856,458**	**856,458**	**–**
Amounts due to financial institutions	**–**	**47,215**	**47,215**	**47,215**	**–**
Securities measured at fair value through profit or loss	**2,868**	-	**2,868**	**2,868**	**–**
Loans to customers	**–**	**1,674,244**	**1,674,244**	**1,680,124**	**5,880**
Investment securities measured at FVOCI	**1,112,435**	**–**	**1,112,435**	**1,112,435**	**–**
Investment securities measured at amortised cost	**–**	**297,833**	**297,833**	**296,094**	**(1,739)**
Other financial assets	**–**	**8,743**	**8,743**	**8,743**	-
	1,115,303	**2,884,493**	**3,999,796**	**4,003,937**	**4,141**
Current accounts and deposits from customers	**–**	**2,731,483**	**2,731,483**	**2,731,952**	**(469)**
Amounts due to banks and other financial institutions	**–**	**82,362**	**82,362**	**71,963**	**10,399**
Amounts payable under repurchase agreements	**–**	**424,591**	**424,591**	**424,591**	**–**
Debt securities issued	**–**	**288,274**	**288,274**	**285,073**	**3,201**
Subordinated debt	**–**	**14,647**	**14,647**	**12,179**	**2,468**
Other financial liabilities	**–**	**42,498**	**42,498**	**42,498**	**–**
	–	**3,583,855**	**3,583,855**	**3,568,256**	**15,599**
					19,740

(millions of tenge)

23. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued)

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

	31 December 2023				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair value***	***Unrecognised income / (loss)***
Cash and cash equivalents	–	704,042	704,042	704,042	–
Amounts due to financial institutions	–	101,430	101,430	101,430	–
Securities measured at fair value through profit or loss	3,016	–	3,016	3,016	–
Loans to customers	-	1,377,500	1,377,500	1,375,552	(1,948)
Investment securities measured at FVOCI	664,959	–	664,959	664,959	–
Investment securities measured at amortised cost	–	288,695	288,695	278,038	(10,657)
Other financial assets	–	9,890	9,890	9,890	–
	667,975	2,481,557	3,149,532	3,136,927	(12,605)
Current accounts and deposits from customers	–	2,261,023	2,261,023	2,259,438	1,585
Amounts due to banks and other financial institutions	–	68,384	68,384	59,799	8,585
Amounts payable under repurchase agreements	–	163,523	163,523	163,523	–
Debt securities issued	–	267,250	267,250	254,558	12,692
Subordinated debt	–	14,389	14,389	11,260	3,129
Other financial liabilities	–	33,093	33,093	33,093	–
	–	2,807,662	2,807,662	2,781,671	25,991
					13,386

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

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

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

Financial assets and liabilities in the above table are carried at amortised cost, except for securities at fair value through profit or loss with carrying amount of 2,868 million tenge (31 December 2023: 3,016 million tenge) and investment securities measured at FVOCI with carrying amount of 1,112,435 million tenge (31 December 2023: 664,959 million tenge).

(millions of tenge)

23. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued)

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates, and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market.

Assets a fair value of which approximates their carrying amount

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to the call deposits and savings accounts with no fixed maturity date.

Financial assets and financial liabilities carried at amortised cost

A fair value of quoted bonds is based on quotations as 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 management to estimate the fair values of financial instruments:

- The discount rate in the range from 8.28% to 20.33% per annum was used to discount the future cash flows from USD- and tenge-denominated (31 December 2023: 7.32% to 20.76% per annum);
- The discount rate in the range from 21.54% to 32.40% per annum was used to calculate the future cash flows from tenge-denominated loans to individuals (31 December 2023: 30.88% per annum);
- The discount rate in the range from 4.20% to 13.72% was used to calculate the future cash flows from securities measured at amortised cost, denominated in USD and tenge (31 December 2023: 4.95% to 15.28% per annum).
- The discount rate in the range from 0.7% to 15.4% was used to calculate the future cash flows from customer current accounts and deposits denominated in foreign currency and tenge (31 December 2023: 0.6% to 15.2% per annum).
- The discount rate in the range from 3.25% to 19.91% was used to calculate the future cash flows from amounts due from credit institutions, deposits of banks and other credit institutions (31 December 2023: 2.67% to 20.61% per annum).

(millions of tenge)

23. Fair value of financial instruments (continued)

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: for which all inputs that significantly affect a fair value reported in the statements are observable 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 the fair value of financial instruments measured at fair value as at 30 September 2024, by the level in the fair value hierarchy into which each fair value measurement is categorised.

		30 September 2024 (unaudited)			
	Note	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets					
Securities measured at fair value through profit or loss		**476**	**120**	**2,272**	**2,868**
Investment securities measured at FVOCI	14	**106,223**	**1,006,212**	–	**1,112,435**
		106,699	**1,006,332**	**2,272**	**1,115,303**

The table below analyses financial instruments measured at fair value at 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised.

		31 December 2023			
	Note	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets					
Securities measured at fair value through profit or loss		671	73	2,272	3,016
Investment securities measured at FVOCI	14	472,351	192,608	–	664,959
		473,022	192,681	2,272	667,975

As at 30 December 2024, KSF debt securities as well as bonds of the Ministry of Finance of the Republic of Kazakhstan measured at FVOCI in the amount of 34,285 million tenge and 941,880 million tenge, respectively, are classified in Level 2 of the fair value hierarchy (as at 31 December 2023: KSF debt securities and bonds of the Ministry of Finance of the Republic of Kazakhstan of 59,662 million tenge and 104,137 million tenge, respectively). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

As at 30 September 2024 and 31 December 2023, fair value of trading securities measured at fair value through profit or loss classified in Level 3 has been valued using the Free Cash flow method. The valuation model takes into account cash flows discounted at weighted average cost of capital.

(millions of tenge)

23. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses the fair value of financial instruments not measured at fair value as at 30 September 2024, by the level in the fair value hierarchy into which each fair value measurement is categorised:

	30 September 2024 (unaudited)				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Assets					
Cash and cash equivalents	–	**856,458**	–	**856,458**	**856,458**
Amounts due from financial institutions	–	**47,215**	–	**47,215**	**47,215**
Loans to customers	–	**1,615,686**	**64,438**	**1,680,124**	**1,674,244**
Investment securities measured at amortised cost	**31,349**	**21,561**	**243,184**	**296,094**	**297,833**
Other financial assets	–	**8,743**	–	**8,743**	**8,743**
Liabilities					
Current accounts and deposits from customers	–	**2,731,952**	–	**2,731,952**	**2,731,483**
Amounts due to banks and other financial institutions	–	**71,963**	–	**71,963**	**82,362**
Amounts payable under repurchase agreements	–	**424,591**	–	**424,591**	**424,591**
Debt securities issued	–	**285,073**	–	**285,073**	**288,274**
Subordinated debt	–	**12,179**	–	**12,179**	**14,647**
Other financial liabilities	–	**42,498**	–	**42,498**	**42,498**

The following table analyses the fair value of financial instruments measured at fair value as at 31 December 2023 by the level in the fair value hierarchy into which each fair value measurement is categorised:

	31 December 2023				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Assets					
Cash and cash equivalents	–	704,042	–	704,042	704,042
Amounts due from financial institutions	–	101,430	–	101,430	101,430
Loans to customers	–	1,319,908	55,644	1,375,552	1,377,500
Investment securities measured at amortised cost	29,349	19,762	228,927	278,038	288,695
Other financial assets	–	9,890	–	9,890	9,890
Liabilities					
Current accounts and deposits from customers	–	2,259,438	–	2,259,438	2,261,023
Amounts due to banks and other financial institutions	–	59,799	–	59,799	68,384
Amounts payable under repurchase agreements	–	163,523	–	163,523	163,523
Debt securities issued	–	254,558	–	254,558	267,250
Subordinated debt	–	11,260	–	11,260	14,389
Other financial liabilities	–	33,093	–	33,093	33,093

24. Subsequent events

During October 2024 the Group places bonds with the nominal value of 5,600 thousand US dollars (equivalent to 2,719 million tenge).

During October and November 2024 the bonds included in the Group's portfolio of debt securities measured at amortised cost in the amount of 239,667 million tenge, including accrued coupon, were repaid according to the schedule.

ForteBank Joint Stock Company

Consolidated Financial Statements

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

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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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Expected credit losses (ECL) for loans to customers	
Please refer to the Notes 3, 4, 14 and 25 in the consolidated financial statements.	
Key audit matter	***How the matter was addressed in our audit***
Loans to customers represent 42.3% of total assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Group applies the ECL valuation model, which requires management to apply professional judgment and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of expected cash flows forecast for loans to customers classified as credit-impaired. Due to the significant volume of loans to customers and the related estimation uncertainty of ECL allowance, this area is a key audit matter.	We assessed the key aspects of changes in the Group's methodology related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of our own specialists in financial risks management. To assess adequacy of professional judgment and assumptions made by the management in relation to ECL allowance estimate, we performed the following procedures: - For loans to customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems. - For a sample of loans to customers, for which a potential change in ECL estimate may have a significant impact on the consolidated financial statements we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgments, applied by the Group. - Regarding individually significant loans assigned to Stage 1 and individually insignificant loans assigned to Stages 1, 2 and 3, for which ECL allowance is assessed on a collective basis, we tested the design and implementation of the related PD and LGD models, as well as agreeing input data to supporting documents on a sample basis. - For a sample of purchased or originated credit-impaired loans (POCI) to customers for which ECL is assessed individually, we critically assessed assumptions used by the Group to forecast future cash flows based on our understanding of historical experience and publicly available market information. - We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2023 with actual results for 2023. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for the year 2023 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for the year 2023 is expected to be made available to us after the date of this auditors' report.

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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



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

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



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

14 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(millions of tenge)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

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

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

Ravshan Irmatov
Deputy Chairman of the Management Board (CFO)

Zaure Albossinova
Chief Accountant - Managing Director

13 March 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(millions of tenge)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

(millions of tenge)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(millions of tenge)

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

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

(millions of tenge)

1. General

Principal activities

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

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

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

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

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

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

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

2. Basis of preparation

Shareholders

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

General

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

Basis for measurement

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

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

Functional and presentation currency

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

2. Basis of preparation (continued)

Functional and presentation currency (continued)

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

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

Geopolitical events

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

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

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

Inflation and the current economic environment

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

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

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

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

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

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

3. Material accounting policies

Changes in accounting policies

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

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

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

- *IFRS 17 Insurance Contracts;*
- *Amendment to IAS 8 - Definition of Accounting Estimates;*
- *Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies;*
- *Amendment to IAS 12 Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction.*

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

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

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

3. Material accounting policies (continued)

Basis of consolidation

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

(millions of tenge)

3. Material accounting policies (continued)

Financial instruments

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- amortised cost;
- FVOCI;
- FVTPL.

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

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

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

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

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

These terms are detailed below.

Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model is evaluated and how this information is reported to the key management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The expected frequency, volume and timing of sales are also important aspects of the Group's business model assessment.

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

3. Material accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

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

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

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

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

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

Debt instruments measured at FVOCI

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

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

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

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

Equity instruments measured at FVOCI

The Group sometimes at initial recognition of some investments in equity instruments makes an irrevocable decision to classify investments in equity instruments at FVTPL if they meet the definition of an equity instrument according to IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

Financial guarantees, letters of credit and credit related commitments

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

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

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

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

3. Material accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2023.

Cash and cash equivalents

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

Receivables under repurchase and reverse repurchase agreements and securities lending

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

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are recorded in the consolidated statement of financial position only if these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from securities at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings

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

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

Offsetting of assets and liabilities

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

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

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

Restructuring of loans

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

3. Material accounting policies (continued)

Restructuring of loans (continued)

The Group derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

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

Derecognition of financial assets and financial liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its right to receive cash flows from the asset, or has assumed an obligation to transfer the received cash flows in full without material delay to a third party under a "pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Write-off

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

Financial liabilities

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

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

Government grants

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

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

3. Material accounting policies (continued)

Property and equipment and intangible assets

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

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

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

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

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

Equity

Share capital

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

Treasury shares

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

Dividends

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

Recognition of income and expenses

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

Interest and similar income and expenses

The Group calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

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

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

(millions of tenge)

3. Material accounting policies (continued)

Recognition of income and expenses (continued)

Interest and similar income and expenses (continued)

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

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

Fee and commission income

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

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 programme

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

Dividend income

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

Segment reporting

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

Foreign currency translation

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

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

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

(millions of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty

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

Fair value of financial instruments

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

Estimation uncertainty

Expected credit losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include: The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for ECL for financial assets should be measured on a lifetime expected credit losses basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Identification of relationships between macroeconomic scenarios and economic data, such as the US dollar exchange rate, inflation rate, and the real wage index, and the effect on Probability of Default (PD), Exposure at Default (EAD), and Loss on Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

Collateral assessment

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

Taxes

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

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

(millions of tenge)

5. Net interest income

Net interest income comprises:

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

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

Interest received is as follows:

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

Interest paid comprises:

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

6. Net fee and commission income

Fee and commission income is as follows:

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

(millions of tenge)

6. Net fee and commission income (continued)

Fee and commission expense is as follows:

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

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

7. Net gain from foreign currencies

Net gains from foreign currencies is presented as follows:

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

8. Credit loss expense

Credit loss expenses for 2023 and 2022 comprised the following:

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

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

(millions of tenge)

9. General and administrative expenses

General and administrative expenses comprise:

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

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

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

10. Other income and expenses

Other income and expense comprise:

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

11. Corporate income tax expense

Corporate income tax expenses comprise the following:

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

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

(millions of tenge)

11. Corporate income tax expense (continued)

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

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

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

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

(millions of tenge)

12. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

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

As at 31 December 2022, current account balances with other non-rated banks comprise mainly balances of 6,868 million tenge on current accounts with Russian banks. Ratings of these banks have been withdrawn by the respective agencies. Prior to the withdrawal, the banks were rated from BB+ to BBB- according to the scale of international rating agencies.

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

Minimum reserve requirements

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

Concentration of cash and cash equivalents

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

(millions of tenge)

13. Amounts due from credit institutions

Amounts due from credit institutions comprise:

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

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

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

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

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

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

Concentration of amounts due from credit institutions

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

14. Loans to customers

Loans to customers comprise:

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

(millions of tenge)

14. Loans to customers (continued)

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

Analysis of credit quality of loans to legal entities

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality of loans to individuals:

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality of loans to legal entities:

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

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

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

Analysis of credit quality of loans to individuals:

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

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

(millions of tenge)

14. Loans to customers (continued)

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

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

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

Analysis of credit quality for corporate customers

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

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

Analysis of movements in gross carrying amount and allowance for ECL

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

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

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

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

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

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

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

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

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

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

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

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

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of credit quality for corporate customers (continued)

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

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

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

14. Loans to customers (continued)

Key assumptions and judgments used in estimation of expected credit losses

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

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

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

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

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

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

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

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

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

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

Changes to models used for ECL measurement

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

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

(millions of tenge)

14. Loans to customers (continued)

Changes to models used for ECL measurement (continued)

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

Modified and renegotiated loans

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

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

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

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

Collateral and other credit enhancements

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

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

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

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

The main types of collateral obtained are as follows:

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

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

Repossessed collateral

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

Concentration of loans to customers

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

(millions of tenge)

14. Loans to customers (continued)

Industry and geographical analysis of loans

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

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

Finance lease receivables

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

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

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

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

(millions of tenge)

14. Loans to customers (continued)

Finance lease receivables (continued)

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

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

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

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

15. Investment securities

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

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

(millions of tenge)

15. Investment securities (continued)

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

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

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

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

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

(millions of tenge)

15. Investment securities (continued)

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

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

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

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

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

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

(millions of tenge)

16. Property and equipment

The movements in property and equipment were as follows:

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

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

(millions of tenge)

17. Intangible assets

The movements in intangible assets were as follows:

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

(millions of tenge)

18. Other assets and other liabilities

Other assets comprise:

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

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

Other liabilities comprise:

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

19. Current accounts and deposits from customers

Current accounts and deposits from customers comprise:

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

Concentration of current accounts and deposits from customers

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

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

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

20. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

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

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

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

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

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

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

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

21. Debt securities issued

Debt securities issued comprise:

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

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

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

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

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

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

(millions of tenge)

22. Subordinated debt

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

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

23. Share capital

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

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

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

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

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

Fair value reserve

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

The movement in the fair value reserve is as follows:

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

(millions of tenge)

24. Earnings per share

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

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

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

25. Risk management

Introduction

Risk management is inherent in the bank activities and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

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

Risk management structure

Board of Directors

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

Management Board

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

Risk Committees

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

Credit risk function, Strategic risk function

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

Bank Treasury

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

Internal audit

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

Risk measurement and reporting systems

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

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

Risk measurement and reporting systems (continued)

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

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

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

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

Risk mitigation

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

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

Excessive risk concentration

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

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

Credit risk

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

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

Credit-related commitments risks

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

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

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

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

25. Risk management (continued)

Credit risk (continued)

Impairment assessment

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

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

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

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

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

Definition of default and cure

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

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

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

25. Risk management (continued)

Credit risk (continued)

Definition of default and cure (continued)

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

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

The internal rating and PD estimation process

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

Treasury and interbank relationships

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

Corporate and small business lending

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

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

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

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Corporate and small business lending (continued)

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

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

Retail lending

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

Exposure at Default

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

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

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

Loss given default

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

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

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default (continued)

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

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

Significant increase in credit risk

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

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

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

Grouping financial assets measured on a collective basis

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

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

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

Forward-looking information and multiple economic scenarios

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

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

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

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

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

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

Geographic information

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

Market risk

Market risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

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

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

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

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

Currency risk

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

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

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a before tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The negative amount in the table reflects a potential net reduction in the profit or loss or equity, while a positive amount reflects a net potential increase.

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

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

Operational risk

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

Liquidity risk

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

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

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

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

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

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

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

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

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

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

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

(millions of tenge)

26. Maturity analysis of assets and liabilities

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

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

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

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

(millions of tenge)

27. Offsetting of financial instruments

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

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

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

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

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

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

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

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

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

(millions of tenge)

27. Offsetting of financial instruments (continued)

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

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

28. Changes in liabilities arising from financing activities

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

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

29. Capital management

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

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

29. Capital management (continued)

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

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

The NBRK sets and monitors capital requirements for the Bank.

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

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

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

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

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

30. Commitments and contingencies

Political and economic environment

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

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

Credit related commitments

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

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

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

30. Commitments and contingencies (continued)

Credit related commitments (continued)

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

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

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

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

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

Legal proceedings

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

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

Contingent tax liabilities

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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

31. Related party transactions

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

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

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

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

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

(millions of tenge)

31. Related party transactions (continued)

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

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

Related party transactions

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

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

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

(millions of tenge)

31. Related party transactions (continued)

Related party transactions (continued)

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

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

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

32. Segment analysis

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

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

(millions of tenge)

32. Segment analysis (continued)

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

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

(millions of tenge)

32. Segment analysis (continued)

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

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

(millions of tenge)

32. Segment analysis (continued)

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

(millions of tenge)

32. Segment analysis (continued)

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

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

(millions of tenge)

33. Fair value of financial instruments

Accounting classifications and fair values

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

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

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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

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

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

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

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

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

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

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates to carrying value

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

Financial assets and financial liabilities accounted for at amortised cost

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

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

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

Fair value hierarchy

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

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

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

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

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

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

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

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

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

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

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

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

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

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

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

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

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

ForteBank Joint Stock Company

Consolidated financial statements

For the year ended 31 December 2022
with 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.

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.

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

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

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

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

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

Ernst & Young LLP

Olga Khegay
Auditor

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

Rustamzhan Sattarov
General Director
Ernst and Young LLP

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

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13 March 2023

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30 years in Kazakhstan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(millions of tenge)

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

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

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

Bekzhan Pirmatov
Chairman of the Management Board

13 March 2023

Zaure Albossinova
Chief Accountant - Managing Director

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(millions of tenge)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(millions of tenge)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

(millions of tenge)

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

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

(millions of tenge)

1. General

Principal activities

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

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

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

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

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

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

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

2. Basis of preparation

Shareholders

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

General

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

(millions of tenge)

2. Basis of preparation (continued)

Basis of measurement

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

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

Functional and presentation currency of consolidated financial statements

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

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

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

Effect of COVID-19

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

Geopolitical events

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

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

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

Inflation and the current economic environment

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

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

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

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

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

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

(millions of tenge)

3. Summary of accounting policies

Changes in accounting policies

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

New standards, interpretations and amendments to existing standards and intrpretations

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

New standards, interpretations and amendments thereof (continued)

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

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

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

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

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

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

IAS 41 Agriculture – Taxation in fair value measurements

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

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

Basis of consolidation

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

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

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

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

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Basis of consolidation (continued)

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

Fair value measurement

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

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

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

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

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

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

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

Financial instruments

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Measurement categories of financial assets and liabilities (continued)

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

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

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

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Debt instruments at FVOCI

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

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

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

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

Performance guarantees

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

Reclassification of financial assets and liabilities

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

(millions of tenge)

3. Summary of accounting policies (continued)

Cash and cash equivalents

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

Receivables under repurchase and reverse repurchase agreements and securities lending

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

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

Derivative financial instruments

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

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

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

Borrowings

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

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

Lease

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

i. Group as lessee

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

(millions of tenge)

3. Summary of accounting policies (continued)

Lease (continued)

i. Group as lessee (continued)

Right-of-use assets

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

ii. Operating - Group as lessor

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

iii. Finance – Group as lessor

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

Offsetting of financial instruments

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Offsetting of financial instruments (continued)

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Restructuring of loans

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Write-off

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

Financial liabilities

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

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

Government grants

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

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

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

Property and equipment

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

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

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

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

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Intangible assets

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

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

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

Inventories

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

Retirement and other employee benefit obligations

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

Provisions

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

Contingent assets and liabilities

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

Equity

Share capital

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

Treasury shares

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

Dividends

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

(millions of tenge)

3. Summary of accounting policies (continued)

Taxes

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

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

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

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

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

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

Income and expense recognition

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

Interest and similar revenue and expense

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

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

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

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

Fee and commission income

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

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.

(millions of tenge)

3. Summary of accounting policies (continued)

Income and expense recognition (continued)

Fee and commission income (continued)

Commission income from providing transaction services

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

Customer loyalty programs

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

Dividend income

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

Segment reporting

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

Foreign currency translation

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

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

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

Standards issued but not yet effective

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

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

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

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

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

4. Significant accounting judgments and estimates

Estimation uncertainty

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

Fair value of financial instruments

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

Collateral assessment

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

(millions of tenge)

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for ECL for financial assets should be measured on a lifetime expected credit losses (hereinafter, the "LTECL") basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Identification of relationships between macroeconomic scenarios and economic data, such as the US dollar exchange rate, inflation, and the real wage index, and the effect on Probability of Default (PD), Exposure at Default (EAD), and Loss on Default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Determining the lease term of contracts with renewal options

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

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

Leases – Estimating the incremental borrowing rate

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

Taxes

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 31 December 2022 and 2021 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

(millions of tenge)

5. Net interest income

Net interest income comprises:

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

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

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

Interest received is as follows:

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

Interest paid comprise:

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

(millions of tenge)

6. Net fee and commission income

Fee and commission income is as follows:

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

Fee and commission expense is as follows:

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

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

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

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

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

7. Net gain from foreign currencies

Net gains from foreign currencies is presented as follows:

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

(millions of tenge)

8. Credit loss expense

Credit loss expenses comprised the following for 2022 and 2021:

	2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Cash and cash equivalents	**(9)**	**–**	**–**	**–**	**(9)**
Amounts due from credit institutions	**(109)**	**1**	**2**	**–**	**(106)**
Loans to customers	**(8,306)**	**(17,987)**	**(7,579)**	**(2,825)**	**(36,697)**
Investment securities measured at amortized cost	**(1)**	**104**	**–**	**–**	**103**
Investment securities measured at FVOCI	**(11)**	**(326)**	**–**	**–**	**(337)**
Other financial assets	**–**	**–**	**(510)**	**–**	**(510)**
Financial guarantees, letters of credit and undrawn loan commitments	**49**	**–**	**(143)**	**–**	**(94)**
	(8,387)	**(18,208)**	**(8,230)**	**(2,825)**	**(37,650)**

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

9. General and administrative expenses

General and administrative expenses comprise:

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

General administrative expenses comprise:

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

(millions of tenge)

10. Other income and expenses

Other income and expense comprise:

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

11. Taxation

Corporate income tax expenses comprise the following:

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

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2022 and 2021 was 20%.

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

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

(millions of tenge)

11. Taxation (continued)

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

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

12. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

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

As at 31 December 2022, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, "KSF"), Eurasian Development Bank (EABR) and notes of the NBRK, the total fair value of which as at 31 December 2022 is 48,027 million tenge (31 December 2021: bonds of the Ministry of Finance of the Republic of Kazakhstan, KSF, Eurasian Development Bank (EABR), shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK with a total fair value of 145,653 million tenge).

(millions of tenge)

12. Cash and cash equivalents (continued)

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2022, combined minimum reserve requirements of the Bank amount to 41,731 million tenge (31 December 2021: 34,544 million tenge).

Concentration of cash and cash equivalents

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

13. Amounts due from credit institutions

Amounts due from credit institutions comprise:

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

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

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

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

As at 31 December 2022 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment system services in the amount of 14,513 million tenge (as at 31 December 2021: 7,361 million tenge).

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

Concentration of amounts due from credit institutions

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

(millions of tenge)

14. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

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

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

15. Loans to customers

Loans to customers comprise:

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

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

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans

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

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

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

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

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL

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

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

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

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

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

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

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

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

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans

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

	31 December 2022			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Undue	**218,420**	**(9,951)**	**208,469**	**4.56**
Overdue for less than 30 days	**2,285**	**(91)**	**2,194**	**3.98**
Overdue for 30 to 89 days	**1,196**	**(97)**	**1,099**	**8.11**
Overdue for 90 to 179 days	**2,278**	**(524)**	**1,754**	**23.00**
Overdue for 180 to 360 days	**1,231**	**(217)**	**1,014**	**17.63**
Overdue more than 360 days	**8,797**	**(2,859)**	**5,938**	**32.50**
POCI	**968**	**(5)**	**963**	**0.52**
Total individually insignificant corporate loans	**235,175**	**(13,744)**	**221,431**	**5,84**
Mortgage loans				
Undue	**14,230**	**(38)**	**14,192**	**0.27**
Overdue for less than 30 days	**323**	**(8)**	**315**	**2.48**
Overdue for 30 to 89 days	**78**	**(2)**	**76**	**2.56**
Overdue for 90 to 179 days	**88**	**(3)**	**85**	**3.41**
Overdue for 180 to 360 days	**84**	**(5)**	**79**	**5.95**
Overdue more than 360 days	**2,592**	**(502)**	**2,090**	**19.37**
POCI	**7,603**	**(524)**	**7,079**	**6.89**
Total mortgage loans	**24,998**	**(1,082)**	**23,916**	**4.33**
Consumer loans				
Undue	**335,399**	**(8,818)**	**326,581**	**2.63**
Overdue for less than 30 days	**9,031**	**(2,237)**	**6,794**	**24.77**
Overdue for 30 to 89 days	**6,936**	**(3,982)**	**2,954**	**57.41**
Overdue for 90 to 179 days	**6,555**	**(5,116)**	**1,439**	**78.05**
Overdue for 180 to 360 days	**7,936**	**(6,377)**	**1,559**	**80.36**
Overdue more than 360 days	**12,992**	**(11,031)**	**1,961**	**84.91**
Total consumer loans	**378,849**	**(37,561)**	**341,288**	**9.91**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2022			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Undue	**12,921**	**(1)**	**12,920**	**0.01**
Overdue for less than 30 days	**47**	**–**	**47**	**0.00**
Overdue for 30 to 89 days	**16**	**–**	**16**	**0.00**
Overdue for 90 to 179 days	**2**	**–**	**2**	**0.00**
Overdue for 180 to 360 days	**1**	**–**	**1**	**0.00**
Overdue more than 360 days	**398**	**(143)**	**255**	**35.93**
Total car loans	**13,385**	**(144)**	**13,241**	**1.08**
Credit cards				
Undue	**3,231**	**(368)**	**2,863**	**11.39**
Overdue for less than 30 days	**123**	**(44)**	**79**	**35.77**
Overdue for 30 to 89 days	**118**	**(99)**	**19**	**83.90**
Overdue for 90 to 179 days	**120**	**(99)**	**21**	**82.50**
Overdue for 180 to 360 days	**201**	**(165)**	**36**	**82.09**
Overdue more than 360 days	**489**	**(401)**	**88**	**82.00**
Total credit cards	**4,282**	**(1,176)**	**3,106**	**27.46**
Other loans secured by collateral				
Undue	**35,206**	**(319)**	**34,887**	**0.91**
Overdue for less than 30 days	**1,768**	**(58)**	**1,710**	**3.28**
Overdue for 30 to 89 days	**811**	**(47)**	**764**	**5.80**
Overdue for 90 to 179 days	**615**	**(128)**	**487**	**20.81**
Overdue for 180 to 360 days	**1,004**	**(216)**	**788**	**21.51**
Overdue more than 360 days	**14,812**	**(4,115)**	**10,697**	**27.78**
POCI	**14,536**	**(1,233)**	**13,303**	**8.48**
Total other loans secured by collateral	**68,752**	**(6,116)**	**62,636**	**8.90**
Total individually insignificant loans	**725,441**	**(59,823)**	**665,618**	**8.25**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 31 December 2021:

	31 December 2021			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Undue	160,060	(2,836)	157,224	1.77
Overdue for less than 30 days	1,842	(4)	1,838	0.22
Overdue for 30 to 89 days	557	(4)	553	0.72
Overdue for 90 to 179 days	988	(15)	973	1.52
Overdue for 180 to 360 days	2,849	(109)	2,740	3.83
Overdue more than 360 days	15,365	(4,544)	10,821	29.57
POCI	546	(117)	429	21.43
Total individually insignificant corporate loans	182,207	(7,629)	174,578	4.19
Mortgage loans				
Undue	16,296	(77)	16,219	0.47
Overdue for less than 30 days	557	(1)	556	0.18
Overdue for 30 to 89 days	257	(9)	248	3.50
Overdue for 90 to 179 days	210	(9)	201	4.29
Overdue for 180 to 360 days	143	(7)	136	4.90
Overdue more than 360 days	4,162	(1,408)	2,754	33.83
POCI	9,464	(575)	8,889	6.08
Total mortgage loans	31,089	(2,086)	29,003	6.71
Consumer loans				
Undue	208,510	(6,596)	201,914	3.16
Overdue for less than 30 days	4,689	(1,056)	3,633	22.52
Overdue for 30 to 89 days	3,113	(2,252)	861	72.34
Overdue for 90 to 179 days	3,042	(2,428)	614	79.82
Overdue for 180 to 360 days	5,644	(4,583)	1,061	81.20
Overdue more than 360 days	2,551	(1,979)	572	77.58
Total consumer loans	227,549	(18,894)	208,655	8.30

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2021			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans before allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Undue	4,347	–	4,347	0.00
Overdue for less than 30 days	11	–	11	0.00
Overdue for 30 to 89 days	13	–	13	0.00
Overdue for 90 to 179 days	2	–	2	0.00
Overdue for 180 to 360 days	1	(1)	–	100.00
Overdue more than 360 days	388	(46)	342	11.86
Total car loans	4,762	(47)	4,715	0.99
Credit cards				
Undue	3,580	(606)	2,974	16.93
Overdue for less than 30 days	240	(83)	157	34.58
Overdue for 30 to 89 days	93	(81)	12	87.10
Overdue for 90 to 179 days	101	(101)	–	100.00
Overdue for 180 to 360 days	191	(159)	32	83.25
Overdue more than 360 days	256	(212)	44	82.81
Total credit cards	4,461	(1,242)	3,219	27.84
Other loans secured by collateral				
Undue	49,254	(68)	49,186	0.14
Overdue for less than 30 days	3,234	(4)	3,230	0.12
Overdue for 30 to 89 days	2,215	(19)	2,196	0.86
Overdue for 90 to 179 days	891	(20)	871	2.24
Overdue for 180 to 360 days	2,850	(132)	2,718	4.63
Overdue more than 360 days	17,378	(3,527)	13,851	20.30
POCI	16,863	(693)	16,170	4.11
Total other loans secured by collateral	92,685	(4,463)	88,222	4.82
Total individually insignificant loans	542,753	(34,361)	508,392	6.33

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2022 is as follows:

Individually insignificant corporate loans	***2022***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**152,614**	**1,301**	**27,746**	**546**	**182,207**
New assets originated or purchased	**330,610**	**–**	**1,950**	**1,089**	**333,649**
Assets derecognised or repaid (excluding write-offs)	**(337,032)**	**(3,879)**	**(10,582)**	**(45)**	**(351,538)**
Transfers to Stage 1	**7,296**	**(2,506)**	**(4,790)**	**–**	**–**
Transfers to Stage 2	**(9,612)**	**11,761**	**(2,149)**	**–**	**–**
Transfers to Stage 3	**(4,023)**	**(2,329)**	**6,352**	**–**	**–**
Transfer between loan categories based on significance	**70,514**	**1,393**	**2,490**	**–**	**74,397**
Net change in accrued interest	**317**	**77**	**(441)**	**(260)**	**(307)**
Unwinding of discount	**–**	**–**	**686**	**–**	**686**
Recoveries	**–**	**–**	**3,223**	**3**	**3,226**
Write-off	**–**	**–**	**(8,300)**	**(365)**	**(8,665)**
Forex exchange adjustments	**1,326**	**24**	**170**	**–**	**1,520**
As at 31 December	**212,010**	**5,842**	**16,355**	**968**	**235,175**

Individually insignificant corporate loans	***2022***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(2,602)**	**(10)**	**(4,900)**	**(117)**	**(7,629)**
New assets originated or purchased	**(10,037)**	**–**	**(430)**	**–**	**(10,467)**
Assets derecognised or repaid (excluding write-offs)	**10,232**	**68**	**3,225**	**3**	**13,528**
Transfers to Stage 1	**(171)**	**74**	**97**	**–**	**–**
Transfers to Stage 2	**51**	**(315)**	**264**	**–**	**–**
Transfers to Stage 3	**72**	**160**	**(232)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(6,753)**	**(138)**	**(6,356)**	**(253)**	**(13,500)**
Transfer between loan categories based on significance	**(6)**	**–**	**(348)**	**–**	**(354)**
Unwinding of discount	**–**	**–**	**(686)**	**–**	**(686)**
Recoveries	**–**	**–**	**(3,223)**	**(3)**	**(3,226)**
Write-off	**–**	**–**	**8,300**	**365**	**8,665**
Forex exchange adjustments	**(44)**	**–**	**(31)**	**–**	**(75)**
As at 31 December	**(9,258)**	**(161)**	**(4,320)**	**(5)**	**(13,744)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2021 is as follows:

Individually insignificant corporate loans	***2021***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	122,538	1,620	38,055	1,366	163,579
New assets originated or purchased	226,738	–	852	24	227,614
Assets derecognised or repaid (excluding write-offs)	(192,698)	(756)	(9,168)	(193)	(202,815)
Transfers to Stage 1	5,946	(894)	(5,052)	–	–
Transfers to Stage 2	(2,754)	3,055	(301)	–	–
Transfers to Stage 3	(4,076)	(1,797)	5,873	–	–
Transfer between loan categories based on significance	(2,911)	83	985	–	(1,843)
Net change in accrued interest	(494)	(13)	(816)	5	(1,318)
Unwinding of discount	–	–	1,083	–	1,083
Adjustment of the gross value of POCI assets	–	–	–	50	50
Recoveries	–	–	3,583	–	3,583
Write-off	–	–	(7,398)	(717)	(8,115)
Forex exchange adjustments	325	3	50	11	389
As at 31 December	152,614	1,301	27,746	546	182,207

Individually insignificant corporate loans	***2021***				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(602)	(140)	(8,662)	(543)	(9,947)
New assets originated or purchased	(976)	–	(59)	–	(1,035)
Assets derecognised or repaid (excluding write-offs)	2,117	35	1,852	–	4,004
Transfers to Stage 1	(95)	2	93	–	–
Transfers to Stage 2	19	(19)	–	–	–
Transfers to Stage 3	17	195	(212)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(3,085)	(83)	(577)	(241)	(3,986)
Transfer between loan categories based on significance	3	–	68	–	71
Unwinding of discount	–	–	(1,083)	–	(1,083)
Adjustment of the gross value of POCI assets	–	–	–	(50)	(50)
Recoveries	–	–	(3,583)	–	(3,583)
Write-off	–	–	7,398	717	8,115
Forex exchange adjustments	–	–	(135)	–	(135)
As at 31 December	(2,602)	(10)	(4,900)	(117)	(7,629)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2022 is as follows:

	2022				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**16,592**	**206**	**4,827**	**9,464**	**31,089**
New assets originated or purchased	**2,620**	**–**	**19**	**259**	**2,898**
Assets derecognised or repaid (excluding write-offs)	**(4,811)**	**(96)**	**(1,512)**	**(1,266)**	**(7,685)**
Transfers to Stage 1	**2,624**	**(2,534)**	**(90)**	**–**	**–**
Transfers to Stage 2	**(2,666)**	**3,124**	**(458)**	**–**	**–**
Transfers to Stage 3	**(321)**	**(445)**	**766**	**–**	**–**
Net change in accrued interest	**(94)**	**(2)**	**119**	**144**	**167**
Unwinding of discount	**–**	**–**	**86**	**–**	**86**
Recoveries	**–**	**–**	**1,512**	**120**	**1,632**
Write-off	**–**	**–**	**(2,168)**	**(1,118)**	**(3,286)**
Forex exchange adjustments	**78**	**2**	**17**	**–**	**97**
As at 31 December	**14,022**	**255**	**3,118**	**7,603**	**24,998**

	2022				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(36)**	**(6)**	**(1,469)**	**(575)**	**(2,086)**
New assets originated or purchased	**(5)**	**–**	**(5)**	**–**	**(10)**
Assets derecognised or repaid (excluding write-offs)	**9**	**2**	**1,512**	**120**	**1,643**
Transfers to Stage 1	**(21)**	**21**	**–**	**–**	**–**
Transfers to Stage 2	**18**	**(39)**	**21**	**–**	**–**
Transfers to Stage 3	**–**	**8**	**(8)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**14**	**12**	**(1,150)**	**(1,067)**	**(2,191)**
Unwinding of discount	**–**	**–**	**(86)**	**–**	**(86)**
Recoveries	**–**	**–**	**(1,512)**	**(120)**	**(1,632)**
Write-off	**–**	**–**	**2,168**	**1,118**	**3,286**
Forex exchange adjustments	**–**	**–**	**(6)**	**–**	**(6)**
As at 31 December	**(21)**	**(2)**	**(535)**	**(524)**	**(1,082)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2021 is as follows:

	2021				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	27,662	416	16,555	10,730	55,363
New assets originated or purchased	2,666	–	17	1,512	4,195
Assets derecognised or repaid (excluding write-offs)	(12,832)	(142)	(2,310)	(2,601)	(17,885)
Transfers to Stage 1	1,212	(513)	(699)	–	–
Transfers to Stage 2	(681)	752	(71)	–	–
Transfers to Stage 3	(1,155)	(285)	1,440	–	–
Net change in accrued interest	(306)	(22)	(229)	314	(243)
Unwinding of discount	–	–	1,317	–	1,317
Adjustment of the gross value of POCI assets	–	–	–	2,541	2,541
Recoveries	–	–	1,360	–	1,360
Write-off	–	–	(12,560)	(3,047)	(15,607)
Forex exchange adjustments	26	–	7	15	48
As at 31 December	16,592	206	4,827	9,464	31,089

	2021				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(27)	(2)	(10,744)	523	(10,250)
New assets originated or purchased	(19)	–	(11)	–	(30)
Assets derecognised or repaid (excluding write-offs)	20	2	1,100	–	1,122
Transfers to Stage 1	(50)	4	46	–	–
Transfers to Stage 2	1	(7)	6	–	–
Transfers to Stage 3	1	4	(5)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	38	(7)	(1,694)	(1,604)	(3,267)
Unwinding of discount	–	–	(1,317)	–	(1,317)
Adjustment of the gross value of POCI assets	–	–	–	(2,541)	(2,541)
Recoveries	–	–	(1,360)	–	(1,360)
Write-off	–	–	12,560	3,047	15,607
Forex exchange adjustments	–	–	(50)	–	(50)
As at 31 December	(36)	(6)	(1,469)	(575)	(2,086)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2022 is as follows:

	2022				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**212,655**	**3,038**	**11,856**	**–**	**227,549**
New assets originated or purchased	**314,509**	**–**	**–**	**–**	**314,509**
Assets derecognised or repaid (excluding write-offs)	**(162,823)**	**(856)**	**(1,175)**	**–**	**(164,854)**
Transfers to Stage 1	**27,379**	**(26,752)**	**(627)**	**–**	**–**
Transfers to Stage 2	**(57,305)**	**59,768**	**(2,463)**	**–**	**–**
Transfers to Stage 3	**(1,741)**	**(19,261)**	**21,002**	**–**	**–**
Net change in accrued interest	**1,341**	**141**	**100**	**–**	**1,582**
Unwinding of discount	**–**	**–**	**3,646**	**–**	**3,646**
Recoveries	**–**	**–**	**114**	**–**	**114**
Write-off	**–**	**–**	**(3,698)**	**–**	**(3,698)**
Forex exchange adjustments	**1**	**–**	**–**	**–**	**1**
As at 31 December	**334,016**	**16,078**	**28,755**	**–**	**378,849**

	2022				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(6,993)**	**(2,251)**	**(9,650)**	**–**	**(18,894)**
New assets originated or purchased	**(8,961)**	**–**	**–**	**–**	**(8,961)**
Assets derecognised or repaid (excluding write-offs)	**4,640**	**478**	**959**	**–**	**6,077**
Transfers to Stage 1	**(8,538)**	**8,147**	**391**	**–**	**–**
Transfers to Stage 2	**7,598**	**(9,714)**	**2,116**	**–**	**–**
Transfers to Stage 3	**168**	**14,895**	**(15,063)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**4,036**	**(17,569)**	**(2,188)**	**–**	**(15,721)**
Unwinding of discount	**–**	**–**	**(3,646)**	**–**	**(3,646)**
Recoveries	**–**	**–**	**(114)**	**–**	**(114)**
Write-off	**–**	**–**	**3,698**	**–**	**3,698**
Forex exchange adjustments	**–**	**–**	**–**	**–**	**–**
As at 31 December	**(8,050)**	**(6,014)**	**(23,497)**	**–**	**(37,561)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2021 is as follows:

	2021				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	176,203	4,051	21,352	1	201,607
New assets originated or purchased	162,487	–	151	–	162,638
Assets derecognised or repaid (excluding write-offs)	(115,706)	(687)	(7,682)	(1)	(124,076)
Transfers to Stage 1	5,588	(3,255)	(2,333)	–	–
Transfers to Stage 2	(11,096)	11,372	(276)	–	–
Transfers to Stage 3	(4,666)	(8,370)	13,036	–	–
Net change in accrued interest	(155)	(73)	(303)	–	(531)
Unwinding of discount	–	–	3,228	–	3,228
Recoveries	–	–	2,413	–	2,413
Write-off	–	–	(17,730)	–	(17,730)
Forex exchange adjustments	–	–	–	–	–
As at 31 December	212,655	3,038	11,856	–	227,549

	2021				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(7,329)	(2,867)	(17,648)	–	(27,844)
New assets originated or purchased	(4,918)	–	(30)	–	(4,948)
Assets derecognised or repaid (excluding write-offs)	4,309	497	6,300	–	11,106
Transfers to Stage 1	(4,694)	2,425	2,269	–	–
Transfers to Stage 2	1,123	(1,381)	258	–	–
Transfers to Stage 3	1,048	5,960	(7,008)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	3,468	(6,885)	(5,880)	–	(9,297)
Unwinding of discount	–	–	(3,228)	–	(3,228)
Recoveries	–	–	(2,413)	–	(2,413)
Write-off	–	–	17,730	–	17,730
Forex exchange adjustments	–	–	–	–	–
As at 31 December	(6,993)	(2,251)	(9,650)	–	(18,894)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2022 is as follows:

	2022				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**4,367**	**3**	**392**	**–**	**4,762**
New assets originated or purchased	**17,350**	**–**	**10**	**–**	**17,360**
Assets derecognised or repaid (excluding write-offs)	**(8,795)**	**(10)**	**(334)**	**–**	**(9,139)**
Transfers to Stage 1	**223**	**(211)**	**(12)**	**–**	**–**
Transfers to Stage 2	**(228)**	**253**	**(25)**	**–**	**–**
Transfers to Stage 3	**(33)**	**(13)**	**46**	**–**	**–**
Net change in accrued interest	**27**	**–**	**79**	**–**	**106**
Unwinding of discount	**–**	**–**	**14**	**–**	**14**
Recoveries	**–**	**–**	**334**	**–**	**334**
Write-off	**–**	**–**	**(103)**	**–**	**(103)**
Forex exchange adjustments	**47**	**–**	**4**	**–**	**51**
As at 31 December	**12,958**	**22**	**405**	**–**	**13,385**

	2022				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**–**	**–**	**(47)**	**–**	**(47)**
New assets originated or purchased	**(1)**	**–**	**(2)**	**–**	**(3)**
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**334**	**–**	**334**
Transfers to Stage 1	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**–**	**–**	**(181)**	**–**	**(181)**
Unwinding of discount	**–**	**–**	**(14)**	**–**	**(14)**
Recoveries	**–**	**–**	**(334)**	**–**	**(334)**
Write-off	**–**	**–**	**103**	**–**	**103**
Forex exchange adjustments	**–**	**–**	**(2)**	**–**	**(2)**
As at 31 December	**(1)**	**–**	**(143)**	**–**	**(144)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2021 is as follows:

	2021				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	4,657	5	485	–	5,147
New assets originated or purchased	1,291	–	–	–	1,291
Assets derecognised or repaid (excluding write-offs)	(1,585)	–	(117)	–	(1,702)
Transfers to Stage 1	1	–	(1)	–	–
Transfers to Stage 2	(3)	3	–	–	–
Transfers to Stage 3	–	(5)	5	–	–
Net change in accrued interest	(1)	–	(4)	–	(5)
Unwinding of discount	–	–	11	–	11
Recoveries	–	–	180	–	180
Write-off	–	–	(168)	–	(168)
Forex exchange adjustments	7	–	1	–	8
As at 31 December	4,367	3	392	–	4,762

	2021				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(1)	–	(131)	–	(132)
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	–	–	23	–	23
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	2	–	84	–	86
Unwinding of discount	–	–	(11)	–	(11)
Recoveries	–	–	(180)	–	(180)
Write-off	–	–	168	–	168
Forex exchange adjustments	–	–	–	–	–
As at 31 December	–	–	(47)	–	(47)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2022 is as follows:

	2022				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**3,805**	**99**	**557**	**–**	**4,461**
New assets originated or purchased	**23,187**	**–**	**102**	**–**	**23,289**
Assets derecognised or repaid (excluding write-offs)	**(22,959)**	**(174)**	**(243)**	**–**	**(23,376)**
Transfers to Stage 1	**725**	**(635)**	**(90)**	**–**	**–**
Transfers to Stage 2	**(1,415)**	**1,500**	**(85)**	**–**	**–**
Transfers to Stage 3	**(121)**	**(519)**	**640**	**–**	**–**
Net change in accrued interest	**(18)**	**2**	**–**	**–**	**(16)**
Unwinding of discount	**–**	**–**	**22**	**–**	**22**
Recoveries	**–**	**–**	**5**	**–**	**5**
Write-off	**–**	**–**	**(83)**	**–**	**(83)**
Forex exchange adjustments	**(16)**	**(1)**	**(3)**	**–**	**(20)**
As at 31 December	**3,188**	**272**	**822**	**–**	**4,282**

	2022				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(647)**	**(90)**	**(505)**	**–**	**(1,242)**
New assets originated or purchased	**(3,226)**	**–**	**(88)**	**–**	**(3,314)**
Assets derecognised or repaid (excluding write-offs)	**3,195**	**130**	**209**	**–**	**3,534**
Transfers to Stage 1	**(367)**	**298**	**69**	**–**	**–**
Transfers to Stage 2	**351**	**(463)**	**112**	**–**	**–**
Transfers to Stage 3	**19**	**459**	**(478)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**339**	**(489)**	**(39)**	**–**	**(189)**
Unwinding of discount	**–**	**–**	**(22)**	**–**	**(22)**
Recoveries	**–**	**–**	**(5)**	**–**	**(5)**
Write-off	**–**	**–**	**83**	**–**	**83**
Forex exchange adjustments	**(9)**	**(2)**	**(10)**	**–**	**(21)**
As at 31 December	**(345)**	**(157)**	**(674)**	**–**	**(1,176)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2021 is as follows:

	2021				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	4,224	124	1,131	–	5,479
New assets originated or purchased	26,537	–	164	–	26,701
Assets derecognised or repaid (excluding write-offs)	(26,381)	(221)	(315)	–	(26,917)
Transfers to Stage 1	223	(139)	(84)	–	–
Transfers to Stage 2	(595)	604	(9)	–	–
Transfers to Stage 3	(193)	(268)	461	–	–
Net change in accrued interest	(11)	(1)	–	–	(12)
Unwinding of discount	–	–	75	–	75
Recoveries	–	–	44	–	44
Write-off	–	–	(910)	–	(910)
Forex exchange adjustments	1	–	–	–	1
As at 31 December	3,805	99	557	–	4,461

	2021				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(523)	(114)	(737)	–	(1,374)
New assets originated or purchased	(3,899)	–	–	–	(3,899)
Assets derecognised or repaid (excluding write-offs)	3,876	202	245	–	4,323
Transfers to Stage 1	(193)	127	66	–	–
Transfers to Stage 2	87	(94)	7	–	–
Transfers to Stage 3	28	245	(273)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(23)	(490)	(628)	–	(1,141)
Unwinding of discount	–	–	(75)	–	(75)
Recoveries	–	–	(44)	–	(44)
Write-off	–	–	910	–	910
Forex exchange adjustments	–	34	24	–	58
As at 31 December	(647)	(90)	(505)	–	(1,242)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2022 is as follows:

	2022				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**51,183**	**1,726**	**22,913**	**16,863**	**92,685**
New assets originated or purchased	**7,166**	**–**	**69**	**668**	**7,903**
Assets derecognised or repaid (excluding write-offs)	**(20,550)**	**(939)**	**(3,665)**	**(2,340)**	**(27,494)**
Transfers to Stage 1	**8,381**	**(7,292)**	**(1,089)**	**–**	**–**
Transfers to Stage 2	**(8,729)**	**12,579**	**(3,850)**	**–**	**–**
Transfers to Stage 3	**(1,405)**	**(4,657)**	**6,062**	**–**	**–**
Net change in accrued interest	**(535)**	**(45)**	**(238)**	**348**	**(470)**
Unwinding of discount	**–**	**–**	**430**	**–**	**430**
Recoveries	**–**	**–**	**3,665**	**319**	**3,984**
Write-off	**–**	**–**	**(7,148)**	**(1,322)**	**(8,470)**
Forex exchange adjustments	**125**	**3**	**56**	**–**	**184**
As at 31 December	**35,636**	**1,375**	**17,205**	**14,536**	**68,752**

	2022				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(38)**	**(11)**	**(3,721)**	**(693)**	**(4,463)**
New assets originated or purchased	**(27)**	**–**	**(15)**	**–**	**(42)**
Assets derecognised or repaid (excluding write-offs)	**76**	**36**	**3,665**	**319**	**4,096**
Transfers to Stage 1	**(185)**	**177**	**8**	**–**	**–**
Transfers to Stage 2	**143**	**(241)**	**98**	**–**	**–**
Transfers to Stage 3	**3**	**146**	**(149)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(213)**	**(203)**	**(7,463)**	**(1,862)**	**(9,741)**
Unwinding of discount	**–**	**–**	**(430)**	**–**	**(430)**
Recoveries	**–**	**–**	**(3,665)**	**(319)**	**(3,984)**
Write-off	**–**	**–**	**7,148**	**1,322**	**8,470**
Forex exchange adjustments	**–**	**–**	**(22)**	**–**	**(22)**
As at 31 December	**(241)**	**(96)**	**(4,546)**	**(1,233)**	**(6,116)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2021 is as follows:

	2021				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	83,713	1,954	48,121	18,437	152,225
New assets originated or purchased	9,698	–	–	2,569	12,267
Assets derecognised or repaid (excluding write-offs)	(40,877)	(1,096)	(5,588)	(4,203)	(51,764)
Transfers to Stage 1	7,417	(3,058)	(4,359)	–	–
Transfers to Stage 2	(5,459)	6,786	(1,327)	–	–
Transfers to Stage 3	(2,456)	(2,842)	5,298	–	–
Net change in accrued interest	(896)	(18)	(1,202)	488	(1,628)
Unwinding of discount	–	–	2,405	–	2,405
Adjustment of the gross value of POCI assets	–	–	–	3,100	3,100
Recoveries	–	–	814	–	814
Write-off	–	–	(21,265)	(3,546)	(24,811)
Forex exchange adjustments	43	–	16	18	77
As at 31 December	51,183	1,726	22,913	16,863	92,685

	2021				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(123)	(17)	(16,533)	749	(15,924)
New assets originated or purchased	(34)	–	–	–	(34)
Assets derecognised or repaid (excluding write-offs)	45	9	1,414	–	1,468
Transfers to Stage 1	(203)	93	110	–	–
Transfers to Stage 2	26	(128)	102	–	–
Transfers to Stage 3	4	55	(59)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	247	(23)	(6,763)	(1,888)	(8,427)
Unwinding of discount	–	–	(2,405)	–	(2,405)
Adjustment of the gross value of POCI assets	–	–	–	(3,100)	(3,100)
Recoveries	–	–	(814)	–	(814)
Write-off	–	–	21,265	3,546	24,811
Forex exchange adjustments	–	–	(38)	–	(38)
As at 31 December	(38)	(11)	(3,721)	(693)	(4,463)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and allowance for ECL (continued)

In 2022, the Bank has revised key macroeconomic factors used in ECL calculations. As a result of the amendments, the allowance for ECL was reduced by the Group in the amount of 1,125 million tenge.

In 2021 and 2022 the Group modified contractual terms and performed loan forgiveness for socially vulnerable groups of population within the state program of refinancing of mortgage and housing loans to customers. As a result of the modification leading to derecognition and forgiveness of loans issued to customers, the Group recognized a loss on derecognition of loans to customers in the amount of 6,234 million tenge (for 2021: 10,004 million tenge).

As part of this government program, the Group attracted deposits from Kazakhstan Sustainability Fund JSC with nominal interest rates of 0.10% to 2.99% per annum and payable at maturity in 2038-2050 (*Note 20*). Income on initial recognition of borrowings amounted to 1,757 million tenge (2021: 14,083 million tenge) and was recognized net of a loss as a result of derecognition of loans to customers in "Net (losses)/gains on derecognition of financial assets measured at amortized cost".

Modified and renegotiated loans

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss to the extent that an impairment loss has not already been recorded.

Below is information on loans issued to customers who were granted with a delay in repayment of principal and interest during 2020-2021 due to the consequences of the COVID-19 pandemic as at 31 December 2022 and 31 December 2021.

	31 December 2022				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	**2,622**	**2,691**	**14,169**	**–**	**19,482**
Individually insignificant corporate loans	**12,341**	**885**	**3,210**	**207**	**16,643**
Mortgage loans	**2,348**	**48**	**349**	**1,238**	**3,983**
Consumer loans	**5,547**	**591**	**3,740**	**–**	**9,878**
Car loans	**20**	**–**	**–**	**–**	**20**
Credit cards	**1**	**1**	**18**	**–**	**20**
Other loans secured by collateral	**10,450**	**406**	**2,870**	**1,974**	**15,700**
Loans to customers before allowance for ECL	**33,329**	**4,622**	**24,356**	**3,419**	**65,726**

(millions of tenge)

15. Loans to customers (continued)

Modified and renegotiated loans (continued)

	31 December 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	10,419	14,910	9,852	–	35,181
Individually insignificant corporate loans	17,705	672	8,378	–	26,755
Mortgage loans	3,415	118	357	1,673	5,563
Consumer loans	12,884	535	3,266	–	16,685
Car loans	47	–	–	–	47
Credit cards	45	3	17	–	65
Other loans secured by collateral	17,291	851	3,746	2,568	24,456
Loans to customers before allowance for ECL	61,806	17,089	25,616	4,241	108,752

As at 31 December 2022, the share of non-past due Phase 3 loans and POCI issued to customers who were granted with a delay in payment due to the COVID-19 pandemic is 62.58% (31 December 2021: 62.35%).

Changes to models used for ECL measurement

In 2022, the Group made the following changes to the model for ECL calculations:

- Revision of segmentation (sub-segmentation) of loans to customers by product used in measuring the allowance for ECL. As a result of the amendment, the allowance for ECL was increased by 280 million tenge;
- Application of an updated approach to assessing the level of loss given default (LGD) on loans issued to customers in the corporate business segment, SME and certain retail business sub-segments. As a result of the updated approach, the allowance for ECL was increased by 10,902 million tenge. The approach to estimating the loss given default (LGD) is based on a scenario analysis that takes into account the likely outcomes after default for each segment (subsegment), taking into account the period when the asset was in default;
- Application of an additional criterion of a significant increase in credit risk - the probability of default (PD) during the life of the financial asset exceeds its value at initial recognition by at least 200%, as well as the threshold value of the absolute twelve-month probability of default, determined on the basis of its own confirmed statistics, exceeds 20%;
- Application of the recovery period to credit-impaired assets and assets with an indication of a significant increase in credit risk.

Collateral and other credit enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals, the Group updates the estimated value of collateral at inception of the loan to its current value using automatic revaluation based on analytical price bases based on current information on the real estate market. The Group may also carry out a specific individual valuation of collateral at each reporting date.

The amount and type of collateral required by the Group depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

(millions of tenge)

15. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties.

As at 31 December 2022, loans net of allowance for ECL overdue over 90 days amount to 39,472 million tenge (as at 31 December 2021: 51,889 million tenge). As at 31 December 2022, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to 42,860 million tenge (31 December 2021: 52,587 million tenge).

Collateral withdrawn

In 2022, the Group received property classified within other assets with a carrying amount of 1,701 million tenge (2021: 4,385 million tenge) by obtaining control over collateral for loans issued to customers (*Note 18*). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2022, the Group had a concentration of loans represented by 315,382 million tenge due from the ten largest independent borrowers or 25.45% of gross loan portfolio (31 December 2021: 164,689 million tenge or 19.44% of gross loan portfolio). Allowance for ECL on these loans is 2,690 million tenge (31 December 2021: 1,282 million tenge).

Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	31 December 2022	***31 December 2021***
Loans to retail customers	**490,266**	360,546
Metallurgy	**191,137**	77,119
Wholesale trading	**94,764**	67,003
Transport	**78,601**	19,533
Financial services	**67,794**	34,182
Services provided by small and medium businesses	**67,489**	59,947
Retail services	**56,416**	45,792
Real estate activities	**48,528**	47,998
Food industry	**35,681**	28,457
Construction	**27,319**	23,497
Agriculture	**9,587**	9,565
Post and communication services	**8,254**	16,662
Textile production	**7,609**	8,368
Manufacturing	**6,593**	5,545
Metal products manufacturing	**3,801**	2,587
Chemical industry	**678**	2,454
Machine-building	**155**	264
Production of crude oil and natural gas	**–**	2,884
Other	**43,936**	34,736
	1,238,608	847,139
Allowance for ECL	**(65,066)**	(38,191)
	1,173,542	808,948

(millions of tenge)

15. Loans to customers (continued)

Finance lease receivables

As at 31 December 2022 and 31 December 2021 loans to customers include finance lease receivables of 12,240 million tenge and 7,997 million tenge, respectively.

	31 December 2022	*31 December 2021*
Minimum lease payments receivable	**15,425**	10,723
Unearned finance income	**(2,833)**	(2,312)
Net minimum lease payments receivable	**12,592**	8,411
Less: allowance for ECL	**(352)**	(414)
Net investment in finance leases	**12,240**	7,997
Current portion of minimum lease payments	**8,769**	2,794
Current portion of unearned finance income	**(1,100)**	(307)
Current portion of net minimum lease payments receivable	**7,669**	2,487
Non-current portion of minimum lease payments	**6,656**	7,929
Non-current portion of unearned finance income	**(1,733)**	(2,005)
Non-current portion of net minimum lease payments receivable	**4,923**	5,924
Net minimum lease payments receivable	**12,592**	8,411

The analysis of finance lease receivables at 31 December 2022 and 31 December 2021, is as follows:

As at 31 December 2022	*Up to 1 year*	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*Total*
Minimum lease payments receivable	**8,769**	**5,099**	**1,375**	**155**	**27**	**15,425**
Unearned finance income	**(1,100)**	**(1,201)**	**(455)**	**(64)**	**(13)**	**(2,833)**
Net minimum lease payments receivable	**7,669**	**3,898**	**920**	**91**	**14**	**12,592**

As at 31 December 2021	*Up to 1 year*	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*Total*
Minimum lease payments receivable	2,794	4,179	3,420	278	52	10,723
Unearned finance income	(307)	(869)	(1,009)	(104)	(23)	(2,312)
Net minimum lease payments receivable	2,487	3,310	2,411	174	29	8,411

(millions of tenge)

16. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	31 December 2022	*31 December 2021*
Debt securities at amortized cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**30,044**	21,523
Bonds of foreign countries rated at BB- to BB+	**932**	870
Total government bonds	**30,976**	22,393
Corporate bonds		
Rated from BBB- to BBB+	**177,938**	177,244
Rated from BB- to BB+	**84,414**	83,965
Total corporate bonds	**262,352**	261,209
Bonds of banks		
Rated from BBB- to BBB+	**–**	1,643
Rated from BB- to BB+	**–**	–
Rated from B- to B+	**4,711**	5,310
Total bonds of banks	**4,711**	6,953
Investment securities measured at amortised cost before allowance for ECL	**298,039**	290,555
Allowance for ECL	**(187)**	(274)
Investment securities measured at amortized cost	**297,852**	290,281
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AAA	**293**	–
Bonds of the NBRK rated BBB-	**497**	49,202
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**532,466**	507,422
Total government bonds	**533,256**	556,624
Corporate bonds		
Rated from BBB- to BBB+	**125,596**	111,770
Rated from BB- to BB+	**17,180**	5,765
Rated from B- to B+	**1,963**	–
Total corporate bonds	**144,739**	117,535
Bonds of banks		
Rated from BBB- to BBB+	**12,081**	17,271
Rated from BB- to BB+	**–**	303
Rated below B+	**2,363**	3,095
Not rated	**186**	–
Total bonds of banks	**14,630**	20,669
Investments in equity instruments		
Corporate shares	**97**	–
Total investments in equity instruments	**97**	–
Investment securities measured at FVOCI	**692,722**	694,828

(millions of tenge)

16. Investment securities (continued)

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

As at 31 December 2022, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan and Kazakhstan Sustainability Fund JSC, with a fair value of 68,128 million tenge, were pledged under the repurchase agreements entered into at the KASE (*Note 27*).

As at 31 December 2021, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 25,062 million tenge, were pledged under the repurchase agreements entered into at the KASE (*Note 27*).

In 2018 and 2019, the Group acquired bonds of NAC Kazatomprom JSC, Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC classified as investment securities at amortized cost. As at 31 December 2022, the total carrying amount of these bonds was 241,073 million tenge (31 December 2021: 236,849 million tenge).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC (*Note 21*), with a total nominal value of 220,000 million tenge, serve as collateral for liabilities to the Group on the above mentioned bonds.

(millions of tenge)

17. Property and equipment

The movements in property and equipment were as follows:

	Land	*Buildings*	*Computers*	*Motor vehicles*	*Construction-in-progress and assets to be installed*	*Other*	*Right-of-use assets*	*Total*
Cost								
At 1 January 2021	2,642	44,229	5,245	453	1,227	30,702	2,888	87,386
Additions	–	112	495	39	712	1,655	683	3,696
Transfers	–	–	60	–	(719)	659	–	–
Disposals	–	(49)	(73)	–	–	(1,780)	(729)	(2,631)
As at 31 December 2021	2,642	44,292	5,727	492	1,220	31,236	2,842	88,451
Additions	**–**	**–**	**421**	**2**	**172**	**1,696**	**1,438**	**3,729**
Transfers	**–**	**300**	**100**	**–**	**(716)**	**316**	**–**	**–**
Disposals	**–**	**(125)**	**(118)**	**–**	**(295)**	**(1,411)**	**(1,393)**	**(3,342)**
As at 31 December 2022	**2,642**	**44,467**	**6,130**	**494**	**381**	**31,837**	**2,887**	**88,838**
Accumulated depreciation								
At 1 January 2021	–	(4,150)	(2,516)	(338)	–	(13,641)	(927)	(21,572)
Depreciation charge for the year	–	(1,071)	(759)	(51)	–	(4,021)	(568)	(6,470)
Disposals	**–**	22	38	**–**	**–**	1,749	419	2,228
As at 31 December 2021	–	(5,199)	(3,237)	(389)	–	(15,913)	(1,076)	(25,814)
Depreciation charge for the year	**–**	**(1,081)**	**(648)**	**(30)**	**–**	**(3,250)**	**(626)**	**(5,635)**
Disposals	**–**	**58**	**111**	**–**	**–**	**910**	**552**	**1,631**
As at 31 December 2022	**–**	**(6,222)**	**(3,774)**	**(419)**	**–**	**(18,253)**	**(1,150)**	**(29,818)**
Carrying amount								
At 1 January 2021	2,642	40,079	2,729	115	1,227	17,061	1,961	65,814
As at 31 December 2021	2,642	39,093	2,490	103	1,220	15,323	1,766	62,637
As at 31 December 2022	**2,642**	**38,245**	**2,356**	**75**	**381**	**13,584**	**1,737**	**59,020**

As at 31 December 2022, the cost and related accumulated depreciation of fully depreciated property and equipment amounted to 8,394 million tenge (31 December 2021: 7,792 million tenge).

(millions of tenge)

18. Other assets and other liabilities

Other assets comprise:

	31 December 2022	*31 December 2021*
Accounts receivable for sale of pledged property	**12,653**	16,322
Receivables under government programs for support of specific population segments	**2,875**	2,516
Accounts receivable on commission income	**1,708**	1,443
Other accounts receivable from bank activities	**2,862**	5,732
	20,098	26,013
Allowance for ECL	**(2,869)**	(3,087)
Other financial assets	**17,229**	22,926
Repossessed collateral	**30,593**	36,246
Trade and other receivables	**5,659**	4,911
Prepaid taxes other than corporate income tax	**2,078**	2,181
Investment property	**1,609**	2,469
Inventories held for sale	**1,236**	1,761
Inventories	**776**	786
Other	**827**	922
	42,778	49,276
Impairment allowance	**(78)**	(86)
Other non-financial assets	**42,700**	49,190
Total other assets	**59,929**	72,116

The Group took possession of collateral with an estimated value of 1,701 million tenge during 2022 (2021: 4,385 million tenge). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

Other liabilities comprise:

	31 December 2022	*31 December 2021*
Accrued expenses for employee benefits	**5,457**	5,902
Deferred income from government economic support programs	**3,811**	1,351
Payables on non-banking activities	**2,065**	2,188
Lease liabilities	**1,770**	1,941
Obligations to pay mandatory contributions to the KDIF	**866**	366
Allowance for ECL for credit related commitments (*Note 30*)	**546**	658
Other	**1,259**	1,191
Other financial liabilities	**15,774**	13,597
Taxes payable other than corporate income tax	**2,628**	2,078
Other	**587**	795
Other non-financial liabilities	**3,215**	2,873
Total other liabilities	**18,989**	16,470

(millions of tenge)

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	31 December 2022	*31 December 2021*
Current accounts and demand deposits		
- Retail customers	**138,821**	91,195
- Corporate customers	**555,155**	439,278
Term deposits		
- Retail customers	**570,528**	478,679
- Corporate customers	**663,616**	661,904
Guarantee deposits		
- Retail customers	**34,441**	17,462
- Corporate customers	**49,173**	45,241
	2,011,734	1,733,759
Held as security against letters of credit and guarantees (*Note 30*)	**(521)**	(2,416)

Concentration of current accounts and deposits of customers

As at 31 December 2022, total amount of account balances of top 10 clients amounted to 356,755 million tenge or 17.73% of total current accounts and deposits of customers (31 December 2021: 386,317 million tenge or 22.28%).

As at 31 December 2022, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 287,838 million tenge (31 December 2021: 243,073 million tenge) with limited KDIF insurance coverage on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay the deposit upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

20. Amounts due to banks and other credit institutions

Amounts due to banks and other credit institutions comprise:

	31 December 2022	*31 December 2021*
Loans and deposits from governmental organizations	**53,035**	48,110
Liabilities due to Kazakhstan Sustainability Fund JSC	**13,716**	14,280
Loans from other credit institutions	**–**	22,706
Current accounts and deposits of banks	**–**	93
	66,751	85,189

As at 31 December 2022, loans from government entities included loans received from Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC and Industrial Development Fund JSC in the amount of 34,485 million tenge, 13,321 million tenge and 5,179 million tenge, respectively (31 December 2021: Damu Entrepreneurship Development Fund JSC, Development Bank of Kazakhstan JSC in the amount of 34,960 million tenge and 13,079 million tenge, respectively), within the framework of the state program to support small and medium-sized businesses by the banking sector, as well as the state program of concessional lending to individuals to purchase passenger vehicles of a domestic manufacturer. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2023-2052. The loan received from Industrial Development Fund JSC in May 2022 in the amount of 15,000 million tenge was recognized at a market rate of 14.12% per annum. During 2022, the fair value of car loans issued at a nominal rate of 4.00% per annum was recognized at fair value using market rates of 22.67%-24.20% per annum. In 2022, the Group recognized net income from the car lending program in the amount of 275 million tenge in the consolidated statement of comprehensive income.

(millions of tenge)

20. Amounts due to banks and other credit institutions (continued)

As at 31 December 2022, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,225 million tenge (31 December 2021: 11,734 million tenge) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038-2050. The fair value of deposits attracted in 2022 at initial recognition was determined by the Group using a market rate of 13.53% per annum (in 2021: 14.07% to 14.40% per annum). The fair value of mortgage loans recognized as a result of a significant modification was determined by the Group using market rates from 19.72% to 20.52% per annum (2021: from 18.07% to 18.40% per annum). In 2022, the Group recognized a net loss on derecognition of loans to customers net of income from initial recognition and derecognition of KSF deposits in the amount of 4,477 million tenge (for 2021: income from initial recognition of KSF deposit net of loss on derecognition of loans to customers in the amount of 4,079 million tenge) in the consolidated statement of comprehensive income.

As at 31 December 2021, loans from other credit institutions included loans in the amount of 22,706 million tenge received from European Bank for Reconstruction and Development (EBRD) as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans were denominated in Tenge, had interest rates of 14.65% per annum and mature in 2023. On 26 August 2022, the Group repaid loans prior to maturity. As at 31 December 2021, a deposit in the amount of 25,794 million tenge placed by the Group with the EBRD acts as collateral for these liabilities.

21. Debt securities issued

Debt securities issued comprise:

	Maturity date	*Coupon rate*	*31 December 2022*	*31 December 2021*
Bonds in US dollars				
Bonds issued in 2022	2025	2.60%	**13,040**	–
Bonds issued in 2019	2022	3.00%	**–**	16,171
Eurobonds issued in 2010	2022	14.00%	**–**	15,497
			13,040	31,668
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	**186,659**	172,406
Bonds issued in 2015	2025	10.13%	**49,774**	49,046
			236,433	221,452
			249,473	253,120

On 8 August 2022, the Bank carried out the first bond issue on the AIFC Exchange (AIX) under the bond program with a limit of up to 200,000 thousand US dollars due on 8 August 2025 and a rate of 2.60% per annum. The total amount of bonds issued is 100,000 thousand US dollars. The nominal value of the bond is 100 thousand US dollars. As at 31 December 2022, the total nominal value of outstanding bonds issued under this bond program amounted to 27,900 thousand US dollars (equivalent in tenge - 12,908 million tenge).

In June 2022, the Bank redeemed Eurobonds issued in 2010 with a total nominal value of 35,880 thousand US dollars (Tenge equivalent at the maturity date of 16,687 million tenge) with a coupon rate of 14% per annum.

In August 2022, the Bank redeemed bonds issued in 2019 with a total nominal value of 37,000 thousand US dollars (Tenge equivalent at the maturity date of 17,619 million tenge) with a coupon rate of 3% per annum.

In September 2018, the Bank issued debt securities with a total nominal value of 220,000 million tenge with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for 220,000 million tenge deposit placed with the Bank on similar terms (*Note 16*).

(millions of tenge)

22. Subordinated debt

As at 31 December 2022 and 2021, subordinated debt includes tenge denominated subordinated debt securities issued maturing in 2025-2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months. During 2022, the Bank redeemed subordinated debt securities issued in the amount of 3,675 million tenge in accordance with the contractual terms.

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2022 and 2021 are as follows:

	31 December 2022	*31 December 2021*
Common shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of repurchased shares	**(1,934,434,197)**	(1,934,376,697)
Number of outstanding shares	**90,452,669,892**	90,452,727,392
Total share capital, millions of tenge	**329,350**	329,350

Movements in outstanding, placed and fully paid shares were as follows:

	Quantity of common shares	*Nominal value of common shares, in million tenge*
As at 1 January 2022	**90,452,727,392**	**329,350**
Repurchase of shares	**(57,500)**	**–**
As at 31 December 2022	**90,452,669,892**	**329,350**
At 1 January 2021	88,995,268,392	327,555
Sale of previously repurchased shares	1,457,459,000	1,795
As at 31 December 2021	90,452,727,392	329,350

In December 2021, the Bank sold previously redeemed GDRs, the underlying asset of which were 1,457,459,000 common shares of the Bank representing in total 1.58% of the total issued common shares of the Bank. The total value of the transaction is 4,337 million tenge.

Subject to the decision of shareholders dated 29 March 2021, the Bank declared and paid dividends on common shares for the year ended 31 December 2020, in the amount of 52,961 million tenge. There were no dividends declared in 2022.

Fair value reserve

This reserve records fair value changes on financial assets at FVOCI.

The movement in the fair value reserve is as follows:

	2022	*2021*
At 1 January	**8,137**	9,207
Net change in fair value of debt instruments at fair value through other comprehensive income	**(32,714)**	(320)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	**337**	(1,081)
Reclassification of cumulative (loss)/gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss	**(311)**	195
Income tax relating to components of other comprehensive income	**665**	136
At 31 December	**(23,886)**	8,137

(millions of tenge)

24. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	2022	***2021***
Net profit attributable to shareholders of the Bank	**98,086**	64,060
The average weighted number of common shares for the year ended 31 December	**90,452,724,871**	89,111,066,504
Basic and diluted earnings per share, tenge	**1.08**	0.72

As at 31 December 2022 and 2021, the Bank did not have any financial instruments diluting earnings per share.

25. Risk management

Introduction

Risk management is inherent in the bank activities and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to monitor continuously risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

Risk management structure

Board of Directors

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Management Unit (Credit Risk Function, Strategic Risk Function and Collateral Function) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit risk is controlled by a system of credit committees. For improving the efficiency of decision-making process, the Group has established a hierarchy of credit committees depending on the type and amount of risk exposure. Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (hereinafter "ALMC"), both at the level of the portfolio as a whole and at the level of individual transactions. Operational risks, including information technology and information security risks, are monitored by the Operations Committee.

Credit risk function, Strategic risk function

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. In addition to the standard analysis of risks to which the Group is exposed, the risk management monitors financial and non-financial risks by holding regular meetings with divisions of the first line of defense to obtain an expert judgement in certain areas of development of the Group's activities.

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

Bank Treasury

The Bank's Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects the expected loss likely to arise in normal circumstances based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Except for expected losses, the Group also runs worst case scenarios that may arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The reporting contains information on the total amount of credit, market, operational risks, liquidity indicator and changes in the level of risks. On a monthly basis the Management Board and collegial bodies under the Management Board and on a quarterly basis the Board of Directors receive a detailed risk report, which contains all the information necessary to assess the Group's risks and make appropriate decisions.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Discussions are regularly held at meetings of the Management Board of the Bank, authorized collegial bodies and other employees of the Group on compliance with and maintenance of established limits, investments, liquidity, as well as changes in the level of risk.

Risk mitigation

As part of risk management, the Group uses a wide range of instruments to manage exposures arising from changes in foreign exchange rates, portfolio price risk, derivative financial instruments, credit risk, and exposures arising from forecast transactions.

The Group is not active in the stock and derivatives markets and actively uses collateral to mitigate its credit risk.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

(millions of tenge)

25. Risk management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The asset quality assessment procedure allows the Group to assess the amount of potential losses on the risks to which it is exposed and to take the necessary measures if necessary.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in *Note 15*.

Impairment assessment

The Group calculates ECL for insignificant assets on a collective basis and individually significant on the basis of several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
Exposure at default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
The Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The allowance for ECL is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12m ECL.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Group recognizes an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days and over 90 days (60 days and more for individual financial assets) past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower (corporate business)/counterparty bank indicating default or near-default;
- Suspension of the loan contractual interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and / or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;
- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Withdrawal of rating assigned at the time of issuing a loan;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation / suspension of the license of the counterparty bank;
- Deease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the unit working with non-performing loans.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

The internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour, Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate.

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Group's Strategic Risks Function uses publicly available information, such as external ratings of international rating agencies, on which the ECL calculations are based.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a financial model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Retail lending

Retail lending comprises secured and unsecured personal loans and credit cards. These products are assessed using an automated scoring system. Basic input data used in the models are the following: credit history, the ratio of the amount of the monthly loan payment to wages, as well as the ratio of the loan amount to the value of the acquired property in the case of mortgage lending and the value of collateral in case of other loans secured by collateral.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. The interest rate used to discount the ECLs for credit cards is based on the original effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default

In case of collateralized lending, the LGD indicator is taken into account, which provides for a discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The LGD rate takes into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;
- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Purchased credit impaired financial assets.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

Asset classes where the Group calculates ECL on a collective basis include:

- Individually insignificant loans and individually significant instruments in the portfolio of corporate business and small and medium-sized businesses of Stage 2 and 3;
- Individually significant and individually insignificant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 1;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals;
- Purchased credit impaired financial assets managed on a collective basis.

The Group groups these financial assets into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower's industry.

Forward-looking information and multiple economic scenarios

As at 31 December 2022, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- Price per a barrel of oil;
- Rate of inflation;
- GDP growth;
- Refinancing rate;
- USD/KZT rate;
- Real salary index;
- Number of new COVID-19 infections per a month.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK and international credit institutions). Experts of the Bank's Strategic Risks Function determine the weights attributable to the multiple scenarios. A range of forecast values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 December 2022 are presented below:

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*Forecast*
Price per a barrel of oil			
	Positive	**16%**	**98.11**
	Base case	**68%**	**86.90**
	Negative	**16%**	**77.25**
Rate of inflation, %			
	Positive	**16%**	**9.00%**
	Base case	**68%**	**12.00%**
	Negative	**16%**	**15.00%**
GDP growth, %			
	Positive	**16%**	**3.56%**
	Base case	**68%**	**3.50%**
	Negative	**16%**	**3.44%**
Refinancing rate			
	Positive	**16%**	**15.00%**
	Base case	**68%**	**16.90%**
	Negative	**16%**	**18.90%**
USD/KZT rate			
	Positive	**16%**	**481.02**
	Base case	**68%**	**520.13**
	Negative	**16%**	**562.10**
Real salary index			
	Positive	**16%**	**100.63**
	Base case	**68%**	**98.53**
	Negative	**16%**	**96.46**
Number of new COVID-19 infections per a month			
	Positive	**16%**	**3**
	Base case	**68%**	**4**
	Negative	**16%**	**5**

The amount of the allowance for ECL for loans to customers recognized in the consolidated statement of financial position as at 31 December 2022 was 65,066 million tenge (31 December 2021: 38,191 million tenge). More details are provided in *Note 15*.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analyzing the number of days overdue for the retail and SME segments and on the basis of internal ratings - for corporate loans, for other financial instruments - based on ratings assigned by international rating agencies according to the table below. Credit quality analysis is presented in the respective notes.

External international rating agency's (Moody's) rating	***International external rating agency (Fitch) rating***	***Annual PD***
Aa1 to Aaa	AA+ to AAA	
Aa2	AA	
A1 to Aa3	A+ to AA-	**0.00-0.07%**
A3 to A2	A- to A	
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	**0.05-0.50%**
Ba3 to Ba2	BB- to BB	
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	**0.81-10.40%**
Ca to Caa3	C to CCC-	**23.69-44.00%**
Default	D	**100.00%**

LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's according to the following table:

Securities issuer sector	***LGD***
Government securities	**47.00%**
Securities of corporate sector including banks	**61.98%**

Geographic information

As at 31 December 2022, the Group's assets and liabilities were primarily concentrated in the Republic of Kazakhstan.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and marker exchange rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALMC based on recommendations of the Strategic Risk Function and subsequently agreed by the Board of Directors.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis points symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 2021 is as follows:

	2022	***2021***
	Effect on profit	***Effect on profit***
100 basis points parallel decrease	**–**	225.9
300 basis points parallel increase	**–**	(677.7)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2022		***2021***	
	Effect on profit	***Impact on other comprehen-sive income***	***Effect on profit***	***Impact on other comprehen-sive income***
100 basis points parallel decrease	**–**	**13,058**	–	13,294
300 basis points parallel increase	**–**	**(39,157)**	–	(37,426)

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Despite the fact that the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

The following table shows financial assets and liabilities by foreign currencies:

31 December 2022	*Tenge*	*US Dollars*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	**109,085**	**280,698**	**38,539**	**29,640**	**457,962**
Amounts due from credit institutions	**7,331**	**23,715**	**–**	**–**	**31,046**
Securities at fair value through profit or loss	**2,528**	**235**	**–**	**–**	**2,763**
Loans to customers	**985,158**	**187,150**	**915**	**319**	**1,173,542**
Investment securities	**707,568**	**259,111**	**23,895**	**–**	**990,574**
Other financial assets	**17,076**	**132**	**17**	**4**	**17,229**
Total financial assets	**1,828,746**	**751,041**	**63,366**	**29,963**	**2,673,116**
Liabilities					
Current accounts and deposits of customers	**1,245,470**	**682,480**	**62,556**	**21,228**	**2,011,734**
Amounts due to banks and other credit institutions	**66,751**	**–**	**–**	**–**	**66,751**
Amounts payable under repurchase agreements	**67,980**	**–**	**–**	**–**	**67,980**
Debt securities issued	**236,433**	**13,040**	**–**	**–**	**249,473**
Subordinated debt	**16,795**	**–**	**–**	**–**	**16,795**
Other financial liabilities	**15,011**	**333**	**427**	**3**	**15,774**
Total financial liabilities	**1,648,440**	**695,853**	**62,983**	**21,231**	**2,428,507**
Net position	**180,306**	**55,188**	**383**	**8,732**	**244,609**
Unsettled foreign exchange transactions	**52,442**	**(54,741)**	**–**	**2,299**	**–**
Net position adjusted for impact of derivative instruments held for the purpose of risk management	**232,748**	**447**	**383**	**11,031**	**244,609**

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows financial assets and liabilities by foreign currencies:

31 December 2021	*Tenge*	*US Dollars*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	196,019	218,141	11,802	6,986	432,948
Amounts due from credit institutions	4,829	42,161	–	–	46,990
Securities at fair value through profit or loss	1,452	1,485	33	–	2,970
Loans to customers	719,098	89,678	7	165	808,948
Investment securities	734,754	227,356	22,999	–	985,109
Other financial assets	22,516	400	7	3	22,926
Total financial assets	1,678,668	579,221	34,848	7,154	2,299,891
Liabilities					
Current accounts and deposits of customers	1,141,440	547,304	32,499	12,516	1,733,759
Amounts due to banks and other credit institutions	85,100	89	–	–	85,189
Amounts payable under repurchase agreements	25,064	–	–	–	25,064
Debt securities issued	221,452	31,668	–	–	253,120
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	12,924	286	380	7	13,597
Total financial liabilities	1,506,483	579,347	32,879	12,523	2,131,232
Net position	172,185	(126)	1,969	(5,369)	168,659
Unsettled foreign exchange transactions	1,127	(5,152)	(1,565)	5,590	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	173,312	(5,278)	404	221	168,659

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Negative amounts in the table reflect a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

	2022		*2021*	
Currency	*Increase in currency rate, %*	*Effect on profit before tax*	*Increase in currency rate, %*	*Effect on profit before tax*
US dollar	**21.00**	**94**	13.00	(686)
Euro	**17.99**	**69**	13.00	53

	2022		*2021*	
Currency	*Decrease in currency rate, %*	*Effect on profit before tax*	*Decrease in currency rate, %*	*Effect on profit before tax*
US dollar	**(21.00)**	**(94)**	(10.00)	528
Euro	**(17.99)**	**(69)**	(10.00)	(40)

25. Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity risk management. It is unusual for credit institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Liquidity risk management policy is reviewed and approved by the Board of Directors.

The Group seeks to actively support a diversified and stable funding base comprising issued debt securities, long-term and short-term loans from other banks, deposits of the main corporate customers and individuals as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. Liquidity risk management policy includes:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Managing the duration of the securities' portfolio;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Developing a financing plan in case of a liquidity crisis;
- Monitoring liquidity ratios against regulatory requirements.

The Bank Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the Treasury and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavorable market conditions is performed by the strategic risks function. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, and to the Board of Directors on a quarterly basis. Decisions on liquidity management are made by the ALMC as advised by the risk management and implemented by the Treasury.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

The following tables show the undiscounted contractual cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the Bank allocates the maximum amount of the guarantee to the earliest period in accordance with the expiration date of the guarantee, however, the amount of the guarantee can be claimed at any time.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2022 is as follows:

31 December 2022	*On demand and less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*	*Carrying amount*
Non-derivative financial assets							
Cash and cash equivalents	**342,465**	**116,437**	**–**	**–**	**–**	**458,902**	**457,962**
Amounts due from credit institutions	**–**	**–**	**–**	**14,460**	**16,586**	**31,046**	**31,046**
Securities at fair value through profit or loss	**313**	**–**	**235**	**–**	**2,215**	**2,763**	**2,763**
Loans to customers	**93,008**	**125,208**	**491,819**	**1,368,373**	**125,056**	**2,203,464**	**1,173,542**
Investment securities	**29,399**	**33,680**	**217,275**	**807,876**	**73,576**	**1,161,806**	**990,574**
Other financial assets	**4,522**	**136**	**595**	**11,921**	**55**	**17,229**	**17,229**
Total non-derivative financial assets	**469,707**	**275,461**	**709,924**	**2,202,630**	**217,488**	**3,875,210**	**2,673,116**
Non-derivative financial liabilities							
Current accounts and deposits of customers	**(1,259,520)**	**(118,159)**	**(520,829)**	**(133,343)**	**(11,496)**	**(2,043,347)**	**(2,011,734)**
Amounts due to banks and other credit institutions	**(397)**	**(494)**	**(3,002)**	**(17,504)**	**(71,383)**	**(92,780)**	**(66,751)**
Amounts payable under repurchase agreements	**(65,297)**	**(3,434)**	**–**	**–**	**–**	**(68,731)**	**(67,980)**
Debt securities issued	**(2,530)**	**–**	**(20,466)**	**(266,416)**	**–**	**(289,412)**	**(249,473)**
Subordinated debt	**(2,431)**	**–**	**(1,958)**	**(15,166)**	**(4,176)**	**(23,731)**	**(16,795)**
Other financial liabilities	**(9,246)**	**(58)**	**(4,696)**	**(3)**	**(1,771)**	**(15,774)**	**(15,774)**
Total non-derivative financial liabilities	**(1,339,421)**	**(122,145)**	**(550,951)**	**(432,432)**	**(88,826)**	**(2,533,775)**	**(2,428,507)**
Net liquidity gap on financial assets and financial liabilities	**(869,714)**	**153,316**	**158,973**	**1,770,198**	**128,662**	**1,341,435**	**244,609**
Contingent liabilities	**(9,930)**	**(10,401)**	**(16,428)**	**(31,874)**	**(2,107)**	**(70,740)**	

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest income. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. Accordingly, in the above table, deposits of individuals are presented in accordance with contractual terms with consideration of this assumption.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2021 is as follows:

31 December 2021	*On demand and less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*	*Carrying amount*
Non-derivative financial assets							
Cash and cash equivalents	433,206	–	–	–	–	433,206	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	46,990	46,990
Securities at fair value through profit or loss	102	–	–	–	2,868	2,970	2,970
Loans to customers	79,003	70,008	290,787	965,354	177,764	1,582,916	808,948
Investment securities	49,216	40,148	165,137	869,915	68,694	1,193,110	985,109
Other financial assets	1,133	11	5,958	15,453	371	22,926	22,926
Total non-derivative financial assets	562,660	110,167	461,882	1,882,026	265,383	3,282,118	2,299,891
Non-derivative financial liabilities							
Current accounts and deposits of customers	(1,030,317)	(151,819)	(356,355)	(210,102)	(14,379)	(1,762,972)	(1,733,759)
Amounts due to banks and other credit institutions	(179)	(916)	(3,931)	(38,477)	(75,447)	(118,950)	(85,189)
Amounts payable under repurchase agreements	(25,180)	–	–	–	–	(25,180)	(25,064)
Debt securities issued	(2,530)	–	(40,746)	(242,917)	–	(286,193)	(253,120)
Subordinated debt	(119)	–	(7,360)	(9,683)	(10,300)	(27,462)	(20,503)
Other financial liabilities	(8,518)	(38)	(2,945)	(1)	(2,095)	(13,597)	(13,597)
Total non-derivative financial liabilities	(1,066,843)	(152,773)	(411,337)	(501,180)	(102,221)	(2,234,354)	(2,131,232)
Net liquidity gap on financial assets and financial liabilities	(504,183)	(42,606)	50,545	1,380,846	163,162	1,047,764	168,659
Contingent liabilities	(6,259)	(8,587)	(10,400)	(34,524)	(390)	(60,160)	

(millions of tenge)

26. Maturity analysis of assets and liabilities

The following table shows the expected maturities of assets and liabilities as at 31 December 2022 and 2021:

31 December 2022	*Less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	**342,169**	**115,793**	**–**	**–**	**–**	**–**	**–**	**457,962**
Amounts due from credit institutions	**–**	**–**	**–**	**14,460**	**16,586**	**–**	**–**	**31,046**
Securities at fair value through profit or loss	**313**	**–**	**235**	**–**	**–**	**2,215**	**–**	**2,763**
Loans to customers	**68,528**	**97,625**	**366,857**	**581,950**	**40,386**	**–**	**18,196**	**1,173,542**
Investment securities	**28,215**	**32,224**	**183,756**	**703,785**	**42,594**	**–**	**–**	**990,574**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**59,020**	**–**	**59,020**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**14,550**	**–**	**14,550**
Other assets	**7,751**	**136**	**38,940**	**11,921**	**55**	**–**	**1,126**	**59,929**
Total assets	**446,976**	**245,778**	**589,788**	**1,312,116**	**99,621**	**75,785**	**19,322**	**2,789,386**
Liabilities								
Current accounts and deposits of customers	**(1,258,918)**	**(116,573)**	**(504,926)**	**(122,713)**	**(8,604)**	**–**	**–**	**(2,011,734)**
Amounts due to banks and other credit institutions	**(142)**	**(196)**	**(1,526)**	**(9,434)**	**(55,453)**	**–**	**–**	**(66,751)**
Amounts payable under repurchase agreements	**(64,678)**	**(3,302)**	**–**	**–**	**–**	**–**	**–**	**(67,980)**
Debt securities issued	**(2,151)**	**–**	**(499)**	**(246,823)**	**–**	**–**	**–**	**(249,473)**
Subordinated debt	**(2,431)**	**–**	**(159)**	**(11,042)**	**(3,163)**	**–**	**–**	**(16,795)**
Deferred tax liabilities	**–**	**–**	**–**	**(13,904)**	**–**	**–**	**–**	**(13,904)**
Other liabilities	**(9,258)**	**(58)**	**(7,873)**	**(29)**	**(1,771)**	**–**	**–**	**(18,989)**
Total liabilities	**(1,337,578)**	**(120,129)**	**(514,983)**	**(403,945)**	**(68,991)**	**–**	**–**	**(2,445,626)**
Net position	**(890,602)**	**125,649**	**74,805**	**908,171**	**30,630**	**75,785**	**19,322**	**343,760**
Net accumulated position	**(890,602)**	**(764,953)**	**(690,148)**	**218,023**	**248,653**	**324,438**	**343,760**	

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

31 December 2021	*Less than 1 month*	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	432,948	–	–	–	–	–	–	432,948
Amounts due from credit institutions	–	–	–	31,304	15,686	–	–	46,990
Securities at fair value through profit or loss	102	–	–	–	1,518	1,350	–	2,970
Loans to customers	38,954	53,134	206,315	419,216	55,712	–	35,617	808,948
Investment securities	47,971	38,692	133,660	714,306	50,480	–	–	985,109
Property and equipment	–	–	–	–	–	62,637	–	62,637
Intangible assets	–	–	–	–	–	14,071	–	14,071
Other assets	973	8	62,368	2,975	1,173	3,664	955	72,116
Total assets	520,948	91,834	402,343	1,167,801	124,569	81,722	36,572	2,425,789
Liabilities								
Current accounts and deposits of customers	(1,027,399)	(147,516)	(345,974)	(199,494)	(13,376)	–	–	(1,733,759)
Amounts due to banks and other credit institutions	(149)	(443)	(1,382)	(30,861)	(52,354)	–	–	(85,189)
Amounts payable under repurchase agreements	(25,064)	–	–	–	–	–	–	(25,064)
Debt securities issued	(2,151)	–	(32,035)	(218,934)	–	–	–	(253,120)
Subordinated debt	(119)	–	(6,180)	(5,396)	(8,808)	–	–	(20,503)
Deferred tax liabilities	–	–	–	(13,987)	–	–	–	(13,987)
Other liabilities	(8,548)	(38)	(5,765)	(1)	(2,095)	–	(23)	(16,470)
Total liabilities	(1,063,430)	(147,997)	(391,336)	(468,673)	(76,633)	–	(23)	(2,148,092)
Net position	(542,482)	(56,163)	11,007	699,128	47,936	81,722	36,549	277,697
Net accumulated position	(542,482)	(598,645)	(587,638)	111,490	159,426	241,148	277,697	

(millions of tenge)

27. Offsetting of financial instruments

Disclosures in the tables below include information on financial assets and financial liabilities, which:

- Are offset in the Group's consolidated statement of financial position; or
- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar financial instruments include derivative financial assets, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the consolidated statement of financial position.

The Group receives and provides collateral in the form of cash and marketable securities in respect of the repurchase and reverse repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

As at 31 December 2022, the Group has payables under repurchase agreements in the amount of 67,980 million tenge, which are collateralized by investment securities with a total fair value of 68,128 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC) (*Note 16*).

As at 31 December 2021, the Group has payables under repurchase agreements in the amount of 25,064 million tenge, which are collateralized by investment securities with a total fair value of 25,062 million tenge (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) (*Note 16*).

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2022.

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**

(millions of tenge)

27. Offsetting of financial instruments (continued)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021.

31 December 2021	*Gross amount of recognized financial assets/ (liabilities)*	*Gross amount of recognised financial liabilities offset in the consolidated statement of financial position*	*Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position*	*Related amounts not offset in the consolidated statement of financial position*	
				Financial instruments	*Net amount*
Derivative financial instruments	25,768	(26,279)	(511)	–	(511)
Receivables under reverse repurchase agreements (*Note 12*)	144,646	–	144,646	(145,653)	(1,007)
Payable under repurchase agreements (*Note 16*)	(25,064)	–	(25,064)	25,062	(2)
	145,350	(26,279)	119,071	(120,591)	(1,520)

28. Changes in liabilities arising from financing activities

	Debt securities issued	*Subordinated debt*	*Total liabilities arising from financing activities*
Carrying amount as at 31 December 2020	240,202	20,503	260,705
Proceeds from issue	4	–	4
Repurchase	(1,088)	–	(1,088)
Accrual of interest	16,494	1,616	18,110
Repayment of interest	(16,502)	(1,616)	(18,118)
Foreign exchange differences	805	–	805
Unwinding of discount	13,205	–	13,205
Carrying amount as at 31 December 2021	253,120	20,503	273,623
Proceeds from issue	**13,295**	**–**	**13,295**
Redemption	**(34,306)**	**(3,675)**	**(37,981)**
Accrual of interest	**15,407**	**1,456**	**16,863**
Repayment of interest	**(15,467)**	**(1,489)**	**(16,956)**
Foreign exchange differences	**2,449**	**–**	**2,449**
Unwinding of discount	**14,975**	**–**	**14,975**
Carrying amount as at 31 December 2022	**249,473**	**16,795**	**266,268**

The Group classifies interest paid as cash flows from operating activities.

29. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank.

As at 31 December 2022 and 2021 the Bank had complied in full with all its externally imposed capital requirements.

(millions of tenge)

29. Capital management (continued)

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The NBRK sets and monitors capital requirements for the Bank.

In accordance with the requirements set by the NBRK and effective from 1 July 2021, banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) of not less than 7.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2) of not less than 8.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) of not less than 10%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (participation in the charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2022 and 2021:

	31 December 2022	***31 December 2021***
Tier 1 capital	**315,091**	252,085
Tier 2 capital	**10,354**	12,885
Total regulatory capital	**325,445**	264,970
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,609,161**	1,089,944
Ratio k1	**19.6%**	23.1%
Ratio k1-2	**19.6%**	23.1%
Ratio k2	**20.2%**	24.3%

30. Commitments and contingencies

Political and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

(millions of tenge)

30. Commitments and contingencies (continued)

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loan and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category.

	31 December 2022	*31 December 2021*
Undrawn loan commitments	**217,758**	132,972
Guarantees issued	**69,375**	57,325
Letters of credit	**1,365**	2,835
	288,498	193,132
Less: amounts due to customers held as security against letters of credit and guarantees (*Note 19*)	**(521)**	(2,416)
Less: allowance for expected credit losses	**(546)**	(658)
	287,431	190,058

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including deterioration of the borrower's financial condition, change of the refinance rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Legal proceedings

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group.

Management is unaware of any significant actual, pending or threatened claims against the Group.

Contingent tax liabilities

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(millions of tenge)

31. Related party transactions

Remuneration of members of the Board of Directors and the Management Board

Total remuneration to 11 members of the Management Board and Board of Directors (2021: 13 members) included in general and administrative expenses for 2022 and 2021 is as follows:

	2022	*2021*
Members of the Board of Directors and the Management Board of the Group	**5,870**	4,502
	5,870	4,502

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 31 December 2022, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 3,221 million tenge (31 December 2021: 1,800 million tenge) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is payable over a period of at least three years, subject to the established conditions.

Related party transactions

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2022 and related profit or loss amounts of transactions for 2022 with related parties are as follows:

	2022						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	In million tenge	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*	*Average effective interest rate, (%)*	*In million tenge*
Assets							
Loans to customers	**–**	**–**	**–**	**–**	**4,690**	**5.22**	**4,690**
Other assets	**–**	**–**	**181**	**–**	**1**	**–**	**182**
Liabilities							
Current accounts and deposits of customers	**19,498**	**1.00**	**39,401**	**3.90**	**9,483**	**3.29**	**68,382**
Other liabilities	**–**	**–**	**75**	**–**	**–**	**–**	**75**
Contingent liabilities	**–**	**–**	**–**	**–**	**111**	**–**	**111**
Guarantees issued	**–**	**–**	**–**	**–**	**79**	**–**	**79**

(millions of tenge)

31. Related party transactions (continued)

Related party transactions (continued)

	2022			
	Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	**–**	**–**	**252**	**252**
Interest expense	**(68)**	**(950)**	**(165)**	**(1,183)**
Fee and commission income	**1**	**29**	**10**	**40**
Fee and commission expense	**–**	**(168)**	**–**	**(168)**
General and administrative expenses	**–**	**(874)**	**(56)**	**(930)**
Other income	**–**	**367**	**–**	**367**
Other expenses	**–**	**(258)**	**–**	**(258)**

The outstanding balances and the related average effective rates as at 31 December 2021 and related profit or loss on transactions with related parties for 2021 are as follows:

	2021						
	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	–	–	–	–	4,395	5.53	4,395
Other assets	–	–	126	–	3	–	129
Liabilities							
Current accounts and deposits of customers	23,316	1.00	44,905	2.51	8,389	1.42	76,610
Other liabilities	–	–	186	–	–	–	186
Contingent liabilities	–	–	–	–	71	–	71
Guarantees issued	–	–	–	–	73	–	73

	2021			
	Shareholders	Entities under common control	Other related parties	Total
Income/(expenses)				
Interest income	–	–	239	239
Interest expense	(330)	(692)	(105)	(1,127)
Fee and commission income	–	23	6	29
General and administrative expenses	–	(731)	(35)	(766)
Other expenses	–	(725)	–	(725)

(millions of tenge)

32. Segment analysis

The Group has five reporting segments and business lines ("Other" segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial / banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs).
- Small and medium businesses (SMB) - extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities (LE) and individual entrepreneurs (IE);
- Retail banking (RB) - extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and credit institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions;
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investing activities).

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing / placement rates approved by the authorized body of the Bank.

31 December 2022	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	**80,130**	**70,252**	**91,717**	**209,665**	**6,198**	**457,962**
Amounts due from credit institutions	**3,134**	**3,865**	**293**	**23,754**	**–**	**31,046**
Securities at fair value through profit or loss	**–**	**–**	**–**	**2,763**	**–**	**2,763**
Loans to customers	**382,300**	**344,295**	**428,375**	**–**	**18,572**	**1,173,542**
Investment securities	**–**	**–**	**–**	**990,574**	**–**	**990,574**
Property and equipment	**–**	**–**	**–**	**–**	**59,020**	**59,020**
Intangible assets	**–**	**–**	**–**	**–**	**14,550**	**14,550**
Other assets	**85**	**177**	**102**	**–**	**59,565**	**59,929**
Total assets	**465,649**	**418,589**	**520,487**	**1,226,756**	**157,905**	**2,789,386**
Liabilities						
Current accounts and deposits of customers	**680,679**	**582,487**	**748,472**	**–**	**96**	**2,011,734**
Amounts due to banks and other credit institutions	**10,518**	**34,310**	**7,915**	**37**	**13,971**	**66,751**
Amounts payable under repurchase agreements	**–**	**–**	**–**	**67,980**	**–**	**67,980**
Debt securities issued	**–**	**–**	**13,040**	**186,660**	**49,773**	**249,473**
Subordinated debt	**–**	**–**	**–**	**–**	**16,795**	**16,795**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**13,904**	**13,904**
Other liabilities	**24**	**90**	**1,531**	**8**	**17,336**	**18,989**
Total liabilities	**691,221**	**616,887**	**770,958**	**254,685**	**111,875**	**2,445,626**
Equity						
Share capital	**–**	**–**	**–**	**–**	**332,815**	**332,815**
Additional paid-in capital	**–**	**–**	**–**	**–**	**23,651**	**23,651**
Treasury shares	**–**	**–**	**–**	**–**	**(3,465)**	**(3,465)**
Fair value reserve	**–**	**–**	**–**	**–**	**(23,886)**	**(23,886)**
Retained earnings	**–**	**–**	**–**	**–**	**14,645**	**14,645**
Total equity attributable to shareholders of the Bank	**–**	**–**	**–**	**–**	**343,760**	**343,760**

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2022 is presented as follows:

	2022						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimination***	***Total***
Interest income	**25,608**	**43,350**	**92,556**	**93,720**	**5,507**	**–**	**260,741**
Transfer income	**55,604**	**43,475**	**44,413**	**40,240**	**17,383**	**(201,115)**	**–**
Interest expense	**(39,311)**	**(16,916)**	**(29,488)**	**(36,404)**	**(9,989)**	**–**	**(132,108)**
Transfer expenses	**(18,813)**	**(29,470)**	**(39,622)**	**(103,739)**	**(2,262)**	**193,906**	**–**
Net interest income	**23,088**	**40,439**	**67,859**	**(6,183)**	**10,639**	**(7,209)**	**128,633**
Fee and commission income	**2,660**	**20,101**	**13,266**	**56**	**127**	**–**	**36,210**
Fee and commission expense	**(1,310)**	**(5,707)**	**(4,964)**	**(261)**	**–**	**–**	**(12,242)**
Net gains from financial instruments at fair value through profit or loss	**–**	**–**	**–**	**2,011**	**–**	**–**	**2,011**
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**–**	**–**	**–**	**311**	**–**	**–**	**311**
Net losses on derecognition of financial assets measured at amortized cost	**–**	**–**	**(4,334)**	**–**	**(143)**	**–**	**(4,477)**
Net gains from foreign currencies	**12,318**	**21,364**	**6,170**	**9,597**	**413**	**–**	**49,862**
Other income	**142**	**480**	**641**	**89**	**2,392**	**–**	**3,744**
Non-interest income	**13,810**	**36,238**	**10,779**	**11,803**	**2,789**	**–**	**75,419**
Credit loss expense	**(1,380)**	**(11,033)**	**(21,799)**	**(302)**	**(3,136)**	**–**	**(37,650)**
General and administrative expenses	**(3,864)**	**(17,098)**	**(30,835)**	**(1,346)**	**(9,062)**	**–**	**(62,205)**
Other expenses	**(300)**	**(239)**	**(3,692)**	**(99)**	**(1,154)**	**–**	**(5,484)**
Non-interest expense	**(5,544)**	**(28,370)**	**(56,326)**	**(1,747)**	**(13,352)**	**–**	**(105,339)**
Other transfer income and expenditures	**(3,279)**	**(2,928)**	**(3,554)**	**15,239**	**(12,687)**	**7,209**	**–**
Profit /(loss) before corporate income tax expense	**28,075**	**45,379**	**18,758**	**19,112**	**(12,611)**	**–**	**98,713**
Corporate income tax expenses	**(162)**	**(254)**	**(104)**	**(107)**	**–**	**–**	**(627)**
Profit/(loss) for the year	**27,913**	**45,125**	**18,654**	**19,005**	**(12,611)**	**–**	**98,086**

(millions of tenge)

32. Segment analysis (continued)

31 December 2021	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	66,481	49,460	67,451	243,234	6,322	432,948
Amounts due from credit institutions	794	3,609	394	42,193	–	46,990
Securities at fair value through profit or loss	–	–	–	2,970	–	2,970
Loans to customers	188,752	270,656	310,168	–	39,372	808,948
Investment securities	–	–	–	985,109	–	985,109
Property and equipment	–	–	–	–	62,637	62,637
Intangible assets	–	–	–	–	14,071	14,071
Other assets	47	261	2,183	–	69,625	72,116
Total assets	256,074	323,986	380,196	1,273,506	192,027	2,425,789
Liabilities						
Current accounts and deposits of customers	699,189	440,566	594,003	–	1	1,733,759
Amounts due to banks and other credit institutions	10,569	57,441	8,608	99	8,472	85,189
Amounts payable under repurchase agreements	–	–	–	25,064	–	25,064
Debt securities issued	–	–	16,170	172,406	64,544	253,120
Subordinated debt	–	–	–	–	20,503	20,503
Deferred tax liabilities	–	–	–	–	13,987	13,987
Other liabilities	25	62	2,331	37	14,015	16,470
Total liabilities	709,783	498,069	621,112	197,606	121,522	2,148,092
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	23,651	23,651
Treasury shares	–	–	–	–	(3,465)	(3,465)
Fair value reserve	–	–	–	–	8,137	8,137
Accumulated losses	–	–	–	–	(83,441)	(83,441)
Total equity attributable to shareholders of the Bank	–	–	–	–	277,697	277,697

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2021 may be presented as follows:

	2021						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimi-nation***	***Total***
Interest income	14,856	31,746	66,556	74,015	5,871	–	193,044
Transfer income	35,433	26,178	30,039	23,508	8,443	(123,601)	–
Interest expense	(26,783)	(13,066)	(22,699)	(24,592)	(9,969)	–	(97,109)
Transfer expenses	(10,548)	(19,822)	(30,770)	(76,210)	(3,891)	141,241	–
Net interest income	12,958	25,036	43,126	(3,279)	454	17,640	95,935
Fee and commission income	2,492	19,783	14,980	17	21	–	37,293
Fee and commission expense	(1,296)	(9,007)	(4,241)	(222)	(43)	–	(14,809)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(1,154)	–	–	(1,154)
Net losses on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	(195)	–	–	(195)
Net (losses)/gains on derecognition of financial assets measured at amortized cost	–	–	(2,910)	–	6,989	–	4,079
Net gain/(losses) from foreign currencies	3,663	5,547	2,710	(2,083)	1,188	–	11,025
Other income	(158)	644	221	3	3,413	–	4,123
Non-interest income	4,701	16,967	10,760	(3,634)	11,568	–	40,362
Credit loss expense	2,026	(1,917)	(10,610)	1,836	(1,218)	–	(9,883)
General and administrative expenses	(2,897)	(12,260)	(28,047)	(1,344)	(6,734)	–	(51,282)
Other expenses	(221)	(272)	(3,544)	(56)	(3,936)	–	(8,029)
Non-interest expense	(1,092)	(14,449)	(42,201)	436	(11,888)	–	(69,194)
Other transfer income and expenditures	(2,783)	521	(2,476)	36,361	(13,983)	(17,640)	–
Profit /(loss) before corporate income tax expense	13,784	28,075	9,209	29,884	(13,849)	–	67,103
Corporate income tax expenses	(231)	(470)	(154)	(501)	(1,687)	–	(3,043)
Profit/(loss) for the year	13,553	27,605	9,055	29,383	(15,536)	–	64,060

(millions of tenge)

33. Fair value of financial instruments

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022:

	31 December 2022				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair value***	***Unrecognised gain/(loss)***
Cash and cash equivalents	**–**	**457,962**	**457,962**	**457,962**	**–**
Amounts due from credit institutions	**–**	**31,046**	**31,046**	**31,046**	**–**
Securities at fair value through profit or loss	**2,763**	**–**	**2,763**	**2,763**	**–**
Loans to customers	**–**	**1,173,542**	**1,173,542**	**1,157,280**	**(16,262)**
Investment securities measured at FVOCI	**692,722**	**–**	**692,722**	**692,722**	**–**
Investment securities measured at amortized cost	**–**	**297,852**	**297,852**	**280,156**	**(17,696)**
Other financial assets	**–**	**17,229**	**17,229**	**17,229**	**–**
	695,485	**1,977,631**	**2,673,116**	**2,639,158**	**(33,958)**
Current accounts and deposits of customers	**–**	**2,011,734**	**2,011,734**	**2,011,175**	**559**
Amounts due to banks and other credit institutions	**–**	**66,751**	**66,751**	**62,862**	**3,889**
Amounts payable under repurchase agreements	**–**	**67,980**	**67,980**	**68,128**	**(148)**
Debt securities issued	**–**	**249,473**	**249,473**	**225,002**	**24,471**
Subordinated debt	**–**	**16,795**	**16,795**	**12,941**	**3,854**
Other financial liabilities	**–**	**15,774**	**15,774**	**15,774**	**–**
	–	**2,428,507**	**2,428,507**	**2,395,882**	**32,625**
					(1,333)

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

	31 December 2021				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair value***	***Unrecognised gain/(loss)***
Cash and cash equivalents	–	432,948	432,948	432,948	–
Amounts due from credit institutions	–	46,990	46,990	46,990	–
Securities at fair value through profit or loss	2,970	–	2,970	2,970	–
Loans to customers	–	808,948	808,948	798,266	(10,682)
Investment securities measured at FVOCI	694,828	–	694,828	694,828	–
Investment securities measured at amortized cost	–	290,281	290,281	282,825	(7,456)
Other financial assets	–	22,926	22,926	22,926	–
	697,798	1,602,093	2,299,891	2,281,753	(18,138)
Current accounts and deposits of customers	–	1,733,759	1,733,759	1,737,214	(3,455)
Amounts due to banks and other credit institutions	–	85,189	85,189	81,131	4,058
Amounts payable under repurchase agreements	–	25,064	25,064	25,062	2
Debt securities issued	–	253,120	253,120	245,296	7,824
Subordinated debt	–	20,503	20,503	16,852	3,651
Other financial liabilities	–	13,597	13,597	13,597	–
	–	2,131,232	2,131,232	2,119,152	12,080
					(6,058)

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market quotes or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates to carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions, deposits of banks and other credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following assumptions are used by the management to estimate the fair values of financial instruments:

- The discount rate in the range from 4.97% to 19.54% per annum was used to discount the future cash flows from loans to corporate customers (31 December 2021: 4.84% to 14.51% per annum);
- The discount rate of 32.86% per annum was used to calculate the future cash flows from loans to individuals (31 December 2021: 28.73% per annum).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 31 December 2022, by fair value hierarchy, into which the fair value measurement is categorised.

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Securities at fair value through profit or loss	14	**235**	**256**	**2,272**	**2,763**
Investment securities measured at FVOCI	16	**554,864**	**137,858**	**–**	**692,722**
		555,099	**138,114**	**2,272**	**695,485**

The following table analyses financial instruments carried at fair value as at 31 December 2021, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Securities at fair value through profit or loss	14	1,518	–	1,452	2,970
Investment securities measured at FVOCI	16	579,407	115,421	–	694,828
		580,925	115,421	1,452	697,798

As at 31 December 2022, KSF debt securities measured FVOCI in the amount of 109,985 million tenge are classified in Level 2 of the fair value hierarchy (as at 31 December 2021: 95,705 million tenge). These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

The following table shows the reconciliation for 2022 with respect to fair value estimates assigned to Level 3 of the fair value hierarchy:

	Securities at fair value through profit or loss
As at 1 January 2022	**1,452**
Net gain on transactions with financial instruments at fair value through profit or loss	**820**
As at 31 December 2022	**2,272**

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2021:

	Securities at fair value through profit or loss
At 1 January 2021	1,440
Net gain on transactions with financial instruments at fair value through profit or loss	12
As at 31 December 2021	1,452

(millions of tenge)

33. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments not measured at fair value as at 31 December 2022, by fair value hierarchy, into which the fair value measurement is categorised:

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	**–**	**457,962**	**–**	**457,962**	**457,962**
Amounts due from credit institutions	**–**	**31,046**	**–**	**31,046**	**31,046**
Loans to customers	**–**	**–**	**1,157,280**	**1,157,280**	**1,173,542**
Investment securities measured at amortized cost	**34,028**	**18,934**	**227,194**	**280,156**	**297,852**
Other financial assets	**–**	**–**	**17,229**	**17,229**	**17,229**
Liabilities					
Current accounts and deposits of customers	**–**	**2,011,175**	**–**	**2,011,175**	**2,011,734**
Amounts due to banks and other credit institutions	**–**	**62,862**	**–**	**62,862**	**66,751**
Amounts payable under repurchase agreements	**–**	**68,128**	**–**	**68,128**	**67,980**
Debt securities issued	**–**	**225,002**	**–**	**225,002**	**249,473**
Subordinated debt	**–**	**12,941**	**–**	**12,941**	**16,795**
Other financial liabilities	**–**	**15,774**	**–**	**15,774**	**15,774**

The following table analyses financial instruments not measured at fair value as at 31 December 2021, by fair value hierarchy, into which the fair value measurement is categorised:

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	–	432,948	–	432,948	432,948
Amounts due from credit institutions	–	46,990	–	46,990	46,990
Loans to customers	–	–	798,266	798,266	808,948
Investment securities measured at amortized cost	30,720	26,514	225,591	282,825	290,281
Other financial assets	–	–	22,926	22,926	22,926
Liabilities					
Current accounts and deposits of customers	–	1,737,214	–	1,737,214	1,733,759
Amounts due to banks and other credit institutions	–	81,131	–	81,131	85,189
Amounts payable under repurchase agreements	–	25,062	–	25,062	25,064
Debt securities issued	–	245,296	–	245,296	253,120
Subordinated debt	–	16,852	–	16,852	20,503
Other financial liabilities	–	13,597	–	13,597	13,597

As at 31 December 2021, KSF debt securities measured at amortized cost in the amount of 4,528 million tenge are classified in Level 2 of the fair value hierarchy. These investment securities are considered for regulatory purposes as high-quality liquid assets, but are classified in Level 2 due to insufficient amount of transactions with these securities in an active market.

ForteBank Joint Stock Company

Consolidated financial statements

for the year ended 31 December 2021
together with 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 (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the* consolidated *financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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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 2021, 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 analyzed the judgments used by the Group's management in determining the significant increase in credit risk and default criteria for loans to customers in connection with the ongoing COVID-19 pandemic. We performed, on a sample basis, testing of input data and analysis of the assumptions used by the Group in estimation of allowance for expected credit losses, including historical information on debt servicing, borrower's financial and non-financial information, expected recoveries in the events of default from sale of collateral held. We also performed analysis of the forward-looking information, including macroeconomic forecasts and scenario weights, used by the Group in its expected credit loss model. We made recalculations on the allowance for expected credit losses. We have analyzed information on the allowance for expected credit losses on loans to customers disclosed in the Notes to the consolidated financial statements.

Assessment of loans received from financial institutions	
We consider this issue to be a key audit matter due to the substantial amounts recognized and use of judgment to determine the fair values of liabilities at initial recognition by the Group's management. Information on loans received from financial institutions is presented in Note 15 *Loans to customers* and Note 20 *Amounts due to banks and other financial institutions* to the consolidated financial statements.	Our audit procedures included the analysis of the valuation methodology, the model and testing of inputs used by the Group to determine the fair values of loans received at initial recognition. We engaged valuation specialists for assessment of key inputs used in the estimation, such as risk-free interest rate and credit spread, and compared them with the observable market data. We have reviewed information on loans received from financial institutions disclosed in the Notes to the consolidated financial statements.

Other information included in Group's 2021 Annual Report

Other information consists of the information included in Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Group's 2021 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management 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 Company's 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 Company the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's the Group's financial reporting process.

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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 Company's Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 Company 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 the 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.

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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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.

Ernst & Young LLP

Olga Khegay
Auditor

Auditor qualification certificate
No. МФ-0000286 dated 25 September 2015

Rustamzhan Sattarov
General Director
Ernst and Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on July 15, 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

9 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(millions of tenge)

	Note	2021	2020
Interest income calculated using effective interest rate	5	**191,897**	184,078
Other interest revenue	5	**1,147**	1,426
Interest expense	5	**(97,109)**	(90,475)
Net interest income		**95,935**	95,029
Fee and commission income	6	**37,293**	35,473
Fee and commission expense	6	**(14,809)**	(14,271)
Net (losses)/gains on derecognition of investment securities at fair value through other comprehensive income		**(195)**	226
Net gains from foreign currencies	7	**11,025**	13,340
Net gains on derecognition of financial assets measured at amortized cost	20	**4,079**	11,209
Net gains on derecognition of financial liabilities as a result of modifications	20	**–**	17,956
Other income	10	**4,123**	3,666
Non-interest income		**41,516**	67,599
Credit loss expense	8	**(9,883)**	(38,947)
Net losses on transactions with financial instruments at fair value through profit or loss		**(1,154)**	(1,583)
General and administrative expenses	9	**(51,282)**	(48,760)
Loss from disposal of subsidiaries		**–**	(587)
Other expenses	10	**(8,029)**	(8,784)
Non-interest expense		**(70,348)**	(98,661)
Profit before corporate income tax expense		**67,103**	63,967
Corporate income tax expense	11	**(3,043)**	(11,005)
Profit for the year		**64,060**	52,962
Attributable to:			
- shareholders of the Bank		**64,060**	52,962
- non-controlling interests		**–**	–
		64,060	52,962

The accompanying notes on pages 7 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	2021	2020
Other comprehensive income			
Other comprehensive (loss)/ income to be reclassified to profit or loss in the subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		**(320)**	3,183
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	**(1,081)**	338
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss		**195**	(226)
Income tax relating to components of other comprehensive income		**136**	54
Other comprehensive income for the year, net of tax		**(1,070)**	3,349
Total comprehensive income for the year		**62,990**	56,311
Attributable to:			
- shareholders of the Bank		**62,990**	56,311
- non-controlling interests		**–**	–
		62,990	56,311
Basic and diluted earnings per common share (in tenge)	24	**0.72**	0.59

Signed and authorised for release on behalf of the Management Board of the Bank:

Reinis Rubenis
Chairman of the Management Board

9 March 2022

Stanislav Levin
Chief Accountant –
Managing Director

The accompanying notes on pages 7 to 88 are an integral part of these consolidated financial statements.

CONSOIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(millions of tenge)

	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	12	**432,948**	311,632
Amounts due from financial institutions	13	**46,990**	73,707
Trading securities	14	**2,970**	7,377
Loans to customers	15	**808,948**	749,742
Investment securities	16	**985,109**	780,095
Property and equipment	17	**62,637**	65,814
Intangible assets		**14,071**	11,162
Other assets	18	**72,116**	89,735
Total assets		**2,425,789**	2,089,264
Liabilities			
Current accounts and deposits of customers	19	**1,733,759**	1,387,167
Amounts due to banks and other financial institutions	20	**85,189**	130,470
Amounts payable under repurchase agreements	27	**25,064**	21,670
Debt securities issued	21	**253,120**	240,202
Deferred tax liabilities	11	**13,987**	11,171
Subordinated debt	22	**20,503**	20,503
Other liabilities	18	**16,470**	14,750
Total liabilities		**2,148,092**	1,825,933
Equity			
Share capital	23	**332,815**	332,815
Additional paid-in capital	23	**23,651**	21,109
Treasury shares	23	**(3,465)**	(5,260)
Fair value reserve	23	**8,137**	9,207
Accumulated losses		**(83,441)**	(94,540)
Total equity		**277,697**	263,331
Total equity and liabilities		**2,425,789**	2,089,264

The accompanying notes on pages 7 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(millions of tenge)

	Note	*2021*	*2020*
Cash flows from operating activities			
Interest received	5	**171,680**	156,774
Interest paid	5	**(82,472)**	(78,242)
Fee and commission received		**38,402**	35,414
Fee and commission paid		**(14,809)**	(14,271)
Net realized losses from financial instruments at fair value through profit or loss		**(1,177)**	(1,574)
Net realised gains from foreign currencies		**12,921**	12,828
General and administrative expenses paid		**(45,320)**	(38,472)
Other operating expenses paid		**(1,413)**	(10,662)
Net decrease/(increase) in operating assets			
Amounts due from financial institutions		**27,667**	(42,022)
Trading securities		**4,181**	(1,282)
Loans to customers		**(74,289)**	16,553
Other assets		**17,459**	24,250
Net increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		**330,796**	32,468
Amounts due to banks and other financial institutions		**(30,849)**	59,047
Amounts payable under repurchase agreements		**3,362**	(83,006)
Other liabilities		**2,081**	2,212
Net cash from operating activities before income tax		**358,220**	70,015
Corporate income tax paid		**(24)**	(736)
Net cash flow from operating activities		**358,196**	69,279
Cash flows from investing activities			
Proceeds from disposal of a subsidiary, net of cash disposed of		**–**	(37,012)
Purchase of investment securities at fair value through other comprehensive income		**(708,814)**	(493,004)
Proceeds from sale of investment securities at fair value through other comprehensive income		**11,990**	5,198
Redemption of investment securities at fair value through other comprehensive income		**522,972**	460,956
Purchase of investment securities at amortized cost		**(66,781)**	(50,085)
Redemption of investment securities at amortized cost		**52,271**	20,855
Purchase of property and equipment and intangible assets		**(5,603)**	(14,914)
Proceeds from sale of property and equipment and intangible assets		**3**	15
Net cash used in investing activities		**(193,962)**	(107,991)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	*2021*	*2020*
Cash flows from financing activities			
Repurchase of own shares	23	**–**	(822)
Sale of previously repurchased shares	23	**4,337**	–
Repayment of subordinated debt	28	**–**	(2,200)
Dividends paid to shareholders of the Bank	23	**(52,961)**	(21,110)
Issue of debt securities	28	**4**	1,533
Repurchase of debt securities issued	28	**(1,088)**	(1,264)
Redemption of debt securities issued	28	**–**	(3,901)
Payment of lease liabilities		**(995)**	(650)
Net cash used in financing activities		**(50,703)**	(28,414)
Effect of exchange rates changes on cash and cash equivalents		**7,785**	31,509
Effect of expected credit losses on cash and cash equivalents		**–**	7
Net change in cash and cash equivalents		**121,316**	(35,610)
Cash and cash equivalents, beginning		**311,632**	347,242
Cash and cash equivalents, ending	12	**432,948**	311,632
Non-monetary transactions			
Repossession of collateral on loans to customers	15	**4,385**	7,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(millions of tenge)

	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total equity*
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952
Profit for the year	–	–	–	–	52,962	52,962
Other comprehensive income for the year	–	–	–	3,349	–	3,349
Total comprehensive income for the year	–	–	–	3,349	52,962	56,311
Transactions with owners recorded directly in equity						
Repurchase of own shares *(Note 23)*	–	–	(822)	–	–	(822)
Dividends declared *(Note 23)*	–	–	–	–	(21,110)	(21,110)
At 31 December 2020	332,815	21,109	(5,260)	9,207	(94,540)	263,331
Profit for the year	**–**	**–**	**–**	**–**	**64,060**	**64,060**
Other comprehensive income 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)**
At 31 December 2021	**332,815**	**23,651**	**(3,465)**	**8,137**	**(83,441)**	**277,697**

The accompanying notes on pages 7 to 88 are an integral part of these consolidated financial statements.

(millions of tenge)

1. General

Principal activities

These consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the "Bank") and its subsidiaries (hereinafter, the "Group").

The Bank was formed in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank's head office: 010017, Republic of Kazakhstan, Nur-Sultan, Dostyk Str. 8/1. The Bank's activities are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (hereinafter, the "AFM"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the AFM on 3 February 2020, which replaces previous licenses.

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter - the "KASE") and Astana International Exchange.

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 2021 and 2020, depositors can receive limited insurance coverage for deposits, depending on its amount and the currency: in tenge – up to 10 million tenge, in foreign currencies – up to 5 million tenge, savings deposits in tenge - up to 15 million tenge.

As at 31 December 2021 and 2020, the Group includes the following subsidiaries:

			Ownership, %	
Name	***Country of incorporation***	***Principal activity***	***31 December 2021***	***31 December 2020***
ForteLeasing JSC	Republic of Kazakhstan	Leasing opearions	**100.0**	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	**100.0**	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	**100.0**	100.0

2. Basis of preparation

Shareholders

As at 31 December 2021, Mr. B. Zh. Utemuratov was the beneficial owner of 89.32% of the outstanding common shares of the Bank (31 December 2020: 90.60%) and was the ultimate controlling shareholder of the Group. The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for trading securities, derivative financial assets, investment securities and measured at fair value through other comprehensive income carried at fair value.

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.

(millions of tenge)

2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements (continued)

The Kazakhstani tenge is also the presentation currency for the purposes of these consolidated financial statements.

All information of the consolidated financial statements has been rounded to the nearest million tenge, unless otherwise stated.

Effect of COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in 2020, many governments, including the Government of the Republic of Kazakhstan, have taken various measures to combat the outbreak, including enforcement of travel restrictions, quarantines, closing businesses and other institutions, and closing certain regions. Some of the above measures were also taken during the year ended 31 December 2021 and continue to impact the global supply chain, demand for goods and services, and overall business activity. It is expected that the pandemic itself, as well as the associated public health and social measures, could have an impact on the activities of institutions in various sectors of the economy. The Group continues to assess the impact of the pandemic and changes in economic conditions on its operations, financial position and financial performance.

3. Summary of accounting policies

Changes in accounting policy

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The nature and the effect of these changes are disclosed below.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if required.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(millions of tenge)

3. Summary of accounting policies (continued)

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.

The fair value is a 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Fair value measurement (continued)

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

Financial instruments

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

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 financial institutions, loans to customers, investment securities at amortised cost

The Group only measures Due from financial 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

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 revenue 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

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 ECL allowance.

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 ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2021.

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 revenue 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 in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

(millions of tenge)

3. Summary of accounting policies (continued)

Financial instruments (continued)

Reclassification of financial assets and liabilities (continued)

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 financial 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

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.

(millions of tenge)

3. Summary of accounting policies (continued)

Leases (continued)

i. Group as lessee (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of vehicles and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as lease expense on a straight-line basis over the lease term.

ii. Operating – Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Offsetting

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.

(millions of tenge)

3. Summary of accounting policies (continued)

Restructuring of loans (continued)

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 ECL allowance, 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.

(millions of tenge)

3. Summary of accounting policies (continued)

Government grants (continued)

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 cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group. Land, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-100
Computer hardware	5-7
Vehicles	5-7
Other	2-25

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating 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.

(millions of tenge)

3. Summary of accounting policies (continued)

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.

Taxation

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.

(millions of tenge)

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 expenses

The Group calculates interest revenue 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. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income and expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue 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 revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue 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 revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" 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.

Fee 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.

(millions of tenge)

3. Summary of accounting policies (continued)

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 2021 the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 431,80 for 1 US dollar (31 December 2020: KZT 420,91 for USD 1).

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt those standards when they become effective.

IFRS 17 Insurance Contracts

n May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments are not expected to have a significant impact on the Group' consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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 are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

(millions of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity 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 amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments 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 amendments are not expected to have a material impact on the Group.

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 assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

(millions of tenge)

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.

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so ECL allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as the US dollar, inflation and the real wage index, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

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).

(millions of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or 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 2021 and 2020 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.

Assessment of recoverability of deferred income tax assets requires to use subjective judgements by the Group's management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred tax assets as at 31 December 2021 are recorded to the extent that it is probable that future taxable profits will be available to cover temporary differences, unused tax losses and unused tax benefits , and deferred tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

5. Net interest income

Net interest income comprises:

	2021	***2020***
Interest income calculated using effective interest rate		
Loans to customers	**117,444**	125,601
Debt securities at FVOCI	**46,596**	37,607
Investment securities measured at amortized cost	**19,054**	16,957
Amounts due from financial institutions and cash equivalents	**6,145**	2,531
Amounts receivable under reverse repurchase agreements	**2,658**	1,382
	191,897	184,078
Other interest revenue		
Trading securities	**3**	626
Finance leases	**1,144**	800
	193,044	185,504
Interest expense		
Current accounts and deposits of customers	**(56,347)**	(51,392)
Debt securities issued	**(29,699)**	(28,170)
Amounts due to banks and other financial institutions	**(6,974)**	(7,096)
Subordinated debt	**(1,616)**	(2,040)
Amounts payable under repurchase agreements	**(2,473)**	(1,777)
	(97,109)	(90,475)
Net interest income	**95,935**	95,029

Interest income calculated using the effective interest rate for 2021 includes income in the amount of 8,798 million tenge representing the unwinding of discount on loans to customers (for 2020: 8,315 million tenge).

(millions of tenge)

5. Net interest income (continued)

Interest income received is as follows:

	2021	*2020*
Interest revenue received		
Loans to customers	**108,659**	101,485
Debt securities at FVOCI	**34,113**	31,979
Investment securities measured at amortized cost	**18,810**	17,733
Amounts due from financial institutions and cash equivalents	**6,145**	2,783
Amounts receivable under reverse repurchase agreements	**2,658**	1,386
Finance leases	**1,140**	801
Trading securities	**155**	607
	171,680	156,774

Interest expense paid comprise:

	2021	*2020*
Interest expenses paid		
Current accounts and deposits of customers	**(56,639)**	(51,599)
Debt securities issued	**(16,502)**	(16,574)
Amounts due to banks and other financial institutions	**(5,274)**	(6,249)
Amounts payable under repurchase agreements	**(2,441)**	(1,883)
Subordinated debt	**(1,616)**	(1,937)
	(82,472)	(78,242)

6. Fee and commission income/(expenses)

Fee and commission income is as follows:

	2021	*2020*
Card operations	**21,312**	18,942
Settlement operations	**7,704**	8,752
Cash operations	**4,469**	4,451
Commissions on guarantees and letters of credits	**2,247**	1,783
Foreign currency operations and operations with securities	**307**	426
Other	**1,254**	1,119
	37,293	35,473

Fee and commission expense is as follows:

	2021	*2020*
Maintenance of card accounts	**(12,888)**	(12,124)
Maintenance of nostro accounts	**(473)**	(389)
Settlement operations	**(333)**	(323)
Customer accounts services by financial agents	**(172)**	(124)
Foreign currency operations and operations with securities	**(135)**	(91)
Other	**(808)**	(1,220)
	(14,809)	(14,271)

Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the years ended 31 December 2021 and 2020 primarily represents fee and commission income of 37,293 million tenge and 35,473 million tenge, respectively.

As at 31 December 2021 and 2020, the Group recognized contract assets related to contracts with customers in the amount of 1,443 million tenge and 2,590 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 gains from foreign currencies

Net gains from foreign currencies is presented as follows:

	2021	*2020*
Dealing, net	**12,921**	12,857
Translation differences, net	**(1,896)**	483
	11,025	13,340

8. Credit loss expense

Credit loss expense comprised the following for 2021 and 2020:

	2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Amounts due from financial 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)**

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Cash and cash equivalents	(5)	–	–	–	(5)
Amounts due from financial institutions	(38)	–	–	–	(38)
Loans to customers	(2,118)	(10,235)	(21,020)	(3,185)	(36,558)
Investment securities measured at amortized cost	(16)	(72)	–	–	(88)
Investment securities measured at FVOCI	(345)	7	–	–	(338)
Other financial assets	–	–	(1,456)	–	(1,456)
Financial guarantees, letters of credit and undrawn loan commitments	(203)	(107)	(154)	–	(464)
	(2,725)	(10,407)	(22,630)	(3,185)	(38,947)

9. General and administrative expenses

General and administrative expenses comprise:

	2021	*2020*
Salary and related taxes	**(29,399)**	(25,109)
Depreciation and amortization	**(8,070)**	(7,516)
Repair and maintenance	**(3,761)**	(2,637)
Taxes other than corporate income tax	**(2,770)**	(2,698)
Advertising and marketing	**(1,786)**	(1,529)
Maintenance of buildings	**(1,578)**	(1,489)
Security	**(836)**	(922)
Telecommunication and information services	**(681)**	(734)
Charity and sponsorship	**(613)**	(3,020)
Encashment	**(422)**	(385)
Transportation services	**(421)**	(403)
Lease	**(364)**	(402)
Other professional services	**(352)**	(248)
Business trips	**(156)**	(101)
Other	**(73)**	(1,567)
	(51,282)	(48,760)

(millions of tenge)

9. General and administrative expenses (continued)

General administrative expenses comprise:

	2021	*2020*
Sales and marketing	**(24,279)**	(20,800)
Technologies and development of new products	**(9,172)**	(6,476)
Other	**(17,831)**	(21,484)
	(51,282)	(48,760)

10. Other income and expenses

Other income and expense comprise:

	2021	*2020*
Other income		
Income from operating lease	**1,257**	1,904
Net income from sale of repossessed collateral	**1,187**	–
Other	**1,679**	1,762
	4,123	3,666
Other expenses		
Loss from change in net realizable value of repossessed collateral	**(1,439)**	(1,070)
Other expenses from non-banking activities	**(954)**	(1,097)
Expenses for SMS notification	**(988)**	(1,010)
Net losses from modification of loans to customers not resulting in derecognition	**(207)**	(2,164)
Net losses from sale of inventories	**–**	(1,461)
Other	**(4,441)**	(1,982)
	(8,029)	(8,784)

Net losses from modification of loans to customers not resulting in derecognition includes expenses from the suspension of payments of principal and interest on loans to customers affected by the state of emergency in the Republic of Kazakhstan in connection with the COVID-19 pandemic in the amount of 64 million tenge (in 2020: 2,005 million tenge) *(Note 15)*.

11. Corporate income tax expense

Corporate income tax expense comprise the following:

	2021	*2020*
Current corporate income tax charge	**(91)**	(828)
Deferred corporate income tax charge - origination and reversal of temporary differences	**(2,952)**	(10,177)
Corporate income tax expense	**(3,043)**	(11,005)

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 2021 and 2020 was 20%.

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the consolidated financial statements:

	2021	*2020*
Profit before corporate income tax expense	**67,103**	63,967
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**(13,421)**	(12,793)
Non-taxable income on state securities and securities officially listed at KASE	**13,067**	10,383
Adjustment of corporate income tax charge/(credit) for prior years	**183**	(202)
Non-deductible credit loss expense	**2,566**	(2,527)
Change in tax losses carried forward and unrecognized deferred tax assets	**(3,900)**	(4,549)
Other	**(1,538)**	(1,317)
Corporate income tax expenses	**(3,043)**	(11,005)

(millions of tenge)

11. Corporate income tax expense (continued)

Deferred tax assets and liabilities as at 31 December, as well as their movements for the respective years comprise the following:

	2019	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*Disposal of a subsidiary*	*2020*	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2021*
Tax losses carried forward	24,413	(11,546)	–	–	12,867	**(233)**	**–**	**12,634**
Loans to customers	3,572	528	–	1	4,101	**(756)**	**–**	**3,345**
Investment securities measured at FVOCI	(344)	–	54	–	(290)	**–**	**136**	**(154)**
Investment securities measured at amortized cost	(1,268)	(1,379)	–	(5)	(2,652)	**3**	**–**	**(2,649)**
Debt securities issued	(15,179)	2,334	–	–	(12,845)	**2,641**	**–**	**(10,204)**
Subordinated debt	(342)	3	–	339	–	**–**	**–**	**–**
Amounts due to banks and other financial institutions	(4,476)	(9,740)	–	–	(14,216)	**(2,512)**	**–**	**(16,729)**
Property and equipment and intangible assets	2,994	1,278	–	286	4,558	**1,485**	**–**	**6,043**
Other	194	1,348	–	(48)	1,494	**320**	**–**	**1,815**
Deferred tax assets/(liabilities)	9,564	(17,174)	54	573	(6,983)	**948**	**136**	**(5,899)**
Unrecognised deferred tax assets	(11,185)	6,997	–	–	(4,188)	**(3,900)**	**–**	**(8,088)**
Deferred tax liabilities, net	(1,621)	(10,177)	54	573	(11,171)	**(2,952)**	**136**	**(13,987)**

12. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2021	*31 December 2020*
Cash on hand	**68,721**	65,827
Cash on current accounts with the NBRK rated at BBB-	**44,867**	37,855
Cash on current accounts with other banks:		
- rated from AA- to AA+	**–**	74
- rated from A- to A+	**65,991**	44,449
- rated from BBB- to BBB+	**7,128**	3,810
- rated from BB- to BB+	**1,728**	1,963
- rated below B+	**521**	97
- not rated	**15**	19
Time deposits with the NBRK rated at BBB- with up to 90 days	**99,332**	114,992
Reverse repurchase agreements up to 90 days *(Note 27)*	**144,646**	42,547
Cash and cash equivalents before allowance for ECL	**432,949**	311,633
Allowance for ECL	**(1)**	(1)
Cash and cash equivalents	**432,948**	311,632

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 and 2020, all balances of cash equivalents are allocated to Stage 1 for the purposes of measuring the ECL.

As at 31 December 2021, 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"), the Eurasian Development Bank (EDB), shares of Halyk Savings Bank of Kazakhstan JSC and notes of the NBRK, the total fair value of which as at 31 December 2021 is 145,653 million tenge (31 December 2020: bonds of the Ministry of Finance of the Republic of Kazakhstan with a fair value of 42,545 million tenge).

(millions of tenge)

12. Cash and cash equivalents (continued)

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2021, combined minimum reserve requirements of the Bank amount to 34,544 million tenge (31 December 2020: 31,863 million tenge).

Concentration of cash and cash equivalents

As at 31 December 2021, the Group has accounts with two banks which balances exceed 10% of total cash and cash equivalents (31 December 2020: one bank). The total aggregate balance of the accounts with the above counterparties as at 31 December 2021 amounts to 188,359 million tenge (31 December 2020: 152,847 million tenge).

13. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	31 December 2021	*31 December 2020*
Current accounts with the NBRK rated at BBB- restricted in use	**4,796**	34,984
Deposits with other banks:		
- not rated	**614**	610
Contingent deposits and deposits pledged as a collateral:		
- rated at AAA	**25,794**	25,245
- rated from AA- to AA+	**5,489**	5,347
- rated from A- to A+	**328**	–
- rated from BBB- to BBB+	**108**	105
- not rated	**10,571**	8,203
Amounts due from financial institutions before allowance for ECL	**47,700**	74,494
Allowance for ECL	**(710)**	(787)
Amounts due from financial institutions	**46,990**	73,707

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 and 2020, all balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes.

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. In 2020, these funds also included amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 31 December 2020 was 27,789 million tenge. As at 31 December 2021, the program was completed *(Note 20)*.

As at 31 December 2021 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment operation services in the amount of 7.361 million tenge (as at 31 December 2020: 7,172 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 escrow deposits with EBRD totalling 66 million US dollars for a period until 2023. As at 31 December 2021, the carrying amount of the escrow deposits was 25,794 million tenge (31 December 2020: 25,245 million tenge) *(Note 20)*.

Concentration of amounts due from financial institutions

As at 31 December 2021, the Group has amounts due from four financial institutions (31 December 2020: two), which balances individually exceed 10% of total amounts due from financial institutions. The total value of these balances as at 31 December 2021 is 44,693 million tenge (as at 31 December 2020: 60,229 million tenge).

(millions of tenge)

14. Trading securities

Trading securities comprise:

	31 December 2021	*31 December 2020*
Corporate bonds		
- rated from BB- to BB+	–	423
Total corporate bonds	–	423
Bonds of banks		
- rated from BB- to BB+	–	5,514
Total bonds of banks	–	5,514
Equity instruments	**2,970**	1,440
Trading securities	**2,970**	7,377

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 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**

	31 December 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	183,974	7,117	58,536	–	249,627
Total individually significant loans	183,974	7,117	58,536	–	249,627
Individually insignificant loans					
Corporate loans	122,538	1,620	38,055	1,366	163,579
Mortgage loans	27,662	416	16,555	10,730	55,363
Consumer loans	176,203	4,051	21,352	1	201,607
Car loans	4,657	5	485	–	5,147
Credit cards	4,224	124	1,131	–	5,479
Other loans secured by collateral	83,713	1,954	48,121	18,437	152,225
Total individually insignificant loans	418,997	8,170	125,699	30,534	583,400
Loans to customers before allowance for ECL	602,971	15,287	184,235	30,534	833,027
Allowance for ECL	(11,941)	(3,152)	(68,921)	729	(83,285)
Loans to customers	591,030	12,135	115,314	31,263	749,742

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans

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 less allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1 loans	**270,021**	**(2,335)**	**267,686**	**0.86**
Stage 2 and Stage 3 loans				
- 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	**–**	**–**	**–**	**–**
- overdue for more than 360 days	**1,706**	**(559)**	**1,147**	**32.77**
Stage 2 and Stage 3 loans	**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**

Information on the quality of individually significant corporate loans at 31 December 2020 is presented in the table below:

	Loans before allowance for ECL	*Allowance for ECL*	*Loans less allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1 loans	183,974	(3,336)	180,638	1.81
Stage 2 and Stage 3 loans				
- not overdue	33,423	(1,078)	32,345	3.23
- overdue for less than 90 days	14,495	–	14,495	0.00
- overdue for 90 days to 360 days	1,068	(1,068)	–	100.00
- overdue for more than 360 days	16,667	(12,332)	4,335	73.99
Stage 2 and Stage 3 loans	65,653	(14,478)	51,175	22.05
POCI	–	–	–	0.00
Total individually significant loans	249,627	(17,814)	231,813	7.14

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

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)**
Effect from changes in exchange rates	**1,689**	**111**	**89**	**12**	**1,901**
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**
Effect from changes in exchange rates	**–**	**–**	**(246)**	**–**	**(246)**
At 31 December	**(2,335)**	**(36)**	**(1,459)**	**–**	**(3,830)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2020 is as follows:

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	188,466	7,563	38,337	–	234,366
New assets originated or purchased	238,784	–	–	–	238,784
Assets derecognised or repaid (excluding write-offs)	(196,005)	(15,238)	(4,936)	–	(216,179)
Transfers to Stage 1	540	(540)	–	–	–
Transfers to Stage 2	(28,428)	28,428	–	–	–
Transfers to Stage 3	(24,097)	(13,465)	37,562	–	–
Transfer between loan categories based on significance	(2,410)	–	(2,609)	–	(5,019)
Net change in accrued interest	2,575	135	944	–	3,654
Unwinding of discount	–	–	2,774	–	2,774
Recoveries	–	–	825	–	825
Write-off	–	–	(15,787)	–	(15,787)
Effect from changes in exchange rates	4,549	234	1,426	–	6,209
At 31 December	183,974	7,117	58,536	–	249,627

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(3,244)	–	–	–	(3,244)
Assets derecognised or repaid (excluding write-offs)	1,694	45	1,146	–	2,885
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	35	(35)	–	–	–
Transfers to Stage 3	–	17	(17)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(477)	7	(1,009)	–	(1,479)
Transfer between loan categories based on significance	–	–	(422)	–	(422)
Unwinding of discount	–	–	(2,774)	–	(2,774)
Recoveries	–	–	(825)	–	(825)
Write-off	–	–	15,787	–	15,787
Effect from changes in exchange rates	(88)	(17)	(211)	–	(316)
At 31 December	(3,336)	(12)	(14,466)	–	(17,814)

(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 2021:

	31 December 2021			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Not overdue	**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				
Not overdue	**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**	**3.5**
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				
Not overdue	**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**	**8.3**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2021			
	Loans before allowance for ECL	*Allowance for ECL*	*Loans less allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Car loans				
Not overdue	**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**
Overdue more than 360 days	**388**	**(46)**	**342**	**11.86**
Total car loans	**4,762**	**(47)**	**4,715**	**0.99**
Credit cards				
Not overdue	**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				
Not overdue	**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)

Information on the quality of individually insignificant loans collectively assessed for impairment at 31 December 2020 is presented in the table below:

	31 December 2020			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Not overdue	134,407	(859)	133,548	0,64
Overdue for less than 30 days	1,715	(6)	1,709	0,35
Overdue for 30 to 89 days	3,763	(392)	3,371	10,42
Overdue for 90 to 179 days	2,322	(311)	2,011	13,39
Overdue for 180 to 360 days	1,479	(69)	1,410	4,67
Overdue more than 360 days	18,527	(7,767)	10,760	41,92
POCI	1,366	(543)	823	39,75
Total individually insignificant corporate loans	163,579	(9,947)	153,632	6,08
Mortgage loans				
Not overdue	27,177	(108)	27,069	0,40
Overdue for less than 30 days	1,249	(6)	1,243	0,48
Overdue for 30 to 89 days	518	(16)	502	3,09
Overdue for 90 to 179 days	238	(68)	170	28,57
Overdue for 180 to 360 days	451	(61)	390	13,53
Overdue more than 360 days	15,000	(10,514)	4,486	70,09
POCI	10,730	523	11,253	(4,87)
Total mortgage loans	55,363	(10,250)	45,113	18,51
Consumer loans				
Not overdue	169,848	(6,142)	163,706	3,62
Overdue for less than 30 days	7,117	(2,256)	4,861	31,70
Overdue for 30 to 89 days	4,213	(2,886)	1,327	68,50
Overdue for 90 to 179 days	5,900	(4,826)	1,074	81,80
Overdue for 180 to 360 days	7,838	(6,366)	1,472	81,22
Overdue more than 360 days	6,690	(5,368)	1,322	80,24
POCI	1	–	1	0,00
Total consumer loans	201,607	(27,844)	173,763	13,81

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2020			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Not overdue	4,634	(1)	4,633	0,02
Overdue for less than 30 days	25	–	25	0,00
Overdue for 30 to 89 days	8	–	8	0,00
Overdue for 90 to 179 days	–	–	–	–
Overdue for 180 to 360 days	3	(1)	2	33,33
Overdue more than 360 days	477	(130)	347	27,25
Total car loans	5,147	(132)	5,015	2,56
Credit cards				
Not overdue	3,934	(424)	3,510	10,78
Overdue for less than 30 days	245	(94)	151	38,37
Overdue for 30 to 89 days	163	(121)	42	74,23
Overdue for 90 to 179 days	206	(143)	63	69,42
Overdue for 180 to 360 days	340	(234)	106	68,82
Overdue more than 360 days	591	(358)	233	60,58
Total credit cards	5,479	(1,374)	4,105	25,08
Other loans secured by collateral				
Not overdue	84,268	(270)	83,998	0,32
Overdue for less than 30 days	7,387	(143)	7,244	1,94
Overdue for 30 to 89 days	3,099	(162)	2,937	5,23
Overdue for 90 to 179 days	1,839	(71)	1,768	3,86
Overdue for 180 to 360 days	3,364	(107)	3,257	3,18
Overdue more than 360 days	33,831	(15,920)	17,911	47,06
POCI	18,437	749	19,186	(4,06)
Total other loans secured by collateral	152,225	(15,924)	136,301	10,46
Total individually insignificant loans	583,400	(65,471)	517,929	11,22

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance

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)**
Effect from changes in exchange rates	**325**	**3**	**50**	**11**	**389**
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**
Effect from changes in exchange rates	**–**	**–**	**(135)**	**–**	**(135)**
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 ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2020 is as follows:

	2020				
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	120,258	6,758	25,803	31	152,850
New assets originated or purchased	211,353	–	–	1,159	212,512
Disposal of a subsidiary	(250)	–	–	–	(250)
Assets derecognised or repaid (excluding write-offs)	(198,588)	(4,250)	(7,026)	–	(209,864)
Transfers to Stage 1	7,297	(5,834)	(1,463)	–	–
Transfers to Stage 2	(10,132)	12,001	(1,869)	–	–
Transfers to Stage 3	(12,486)	(7,150)	19,636	–	–
Transfer between loan categories based on significance	2,410	–	2,609	–	5,019
Net change in accrued interest	1,752	82	(781)	112	1,165
Unwinding of discount	–	–	1,125	–	1,125
Recoveries	–	–	5,469	–	5,469
Write-off	–	–	(6,700)	–	(6,700)
Effect from changes in exchange rates	924	13	1,252	64	2,253
At 31 December	122,538	1,620	38,055	1,366	163,579

	2020				
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(294)	(203)	(9,103)	16	(9,584)
New assets originated or purchased	(742)	–	–	–	(742)
Assets derecognised or repaid (excluding write-offs)	435	31	5,570	8	6,044
Transfers to Stage 1	(57)	54	3	–	–
Transfers to Stage 2	18	(223)	205	–	–
Transfers to Stage 3	14	236	(250)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	77	(10)	(4,878)	(566)	(5,377)
Transfer between loan categories based on significance	–	–	422	–	422
Unwinding of discount	–	–	(1,125)	–	(1,125)
Recoveries	–	–	(5,469)	–	(5,469)
Write-off	–	–	6,700	–	6,700
Effect from changes in exchange rates	(53)	(25)	(737)	(1)	(816)
At 31 December	(602)	(140)	(8,662)	(543)	(9,947)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2021 is as follows:

	2021				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**27,662**	**416**	**16,555**	**10,730**	**55,363**
New assets originated or purchased	**2,666**	**–**	**17**	**1,512**	**4,195**
Assets derecognised or repaid (excluding write-offs)	**(12,832)**	**(142)**	**(2,310)**	**(2,601)**	**(17,885)**
Transfers to Stage 1	**1,212**	**(513)**	**(699)**	**–**	**–**
Transfers to Stage 2	**(681)**	**752**	**(71)**	**–**	**–**
Transfers to Stage 3	**(1,155)**	**(285)**	**1,440**	**–**	**–**
Net change in accrued interest	**(306)**	**(22)**	**(229)**	**314**	**(243)**
Unwinding of discount	**–**	**–**	**1,317**	**–**	**1,317**
Adjustment of the gross value of POCI assets	**–**	**–**	**–**	**2,541**	**2,541**
Recoveries	**–**	**–**	**1,360**	**–**	**1,360**
Write-off	**–**	**–**	**(12,560)**	**(3,047)**	**(15,607)**
Effect from changes in exchange rates	**26**	**–**	**7**	**15**	**48**
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**
Effect from changes in exchange rates	**–**	**–**	**(50)**	**–**	**(50)**
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 ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2020 is as follows:

	2020				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	32,797	1,463	24,627	9,311	68,198
New assets originated or purchased	4,128	–	–	1,628	5,756
Disposal of a subsidiary	(16)	–	–	–	(16)
Assets derecognised or repaid (excluding write-offs)	(9,752)	(527)	(4,123)	–	(14,402)
Transfers to Stage 1	2,221	(1,605)	(616)	–	–
Transfers to Stage 2	(1,618)	1,781	(163)	–	–
Transfers to Stage 3	(607)	(705)	1,312	–	–
Net change in accrued interest	377	6	(564)	167	(14)
Unwinding of discount	–	–	1,792	–	1,792
Recoveries	–	–	2,011	–	2,011
Write-off	–	–	(7,798)	(429)	(8,227)
Effect from changes in exchange rates	132	3	77	53	265
At 31 December	27,662	416	16,555	10,730	55,363

	2020				
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(81)	(10)	(9,656)	1,112	(8,635)
New assets originated or purchased	(22)	–	–	–	(22)
Assets derecognised or repaid (excluding write-offs)	114	5	2,289	710	3,118
Transfers to Stage 1	(57)	19	38	–	–
Transfers to Stage 2	10	(18)	8	–	–
Transfers to Stage 3	–	18	(18)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	–	(40)	(7,310)	(1,728)	(9,078)
Unwinding of discount	–	–	(1,792)	–	(1,792)
Recoveries	–	–	(2,011)	–	(2,011)
Write-off	–	–	7,798	429	8,227
Effect from changes in exchange rates	9	24	(90)	–	(57)
At 31 December	(27)	(2)	(10,744)	523	(10,250)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2021 is as follows:

	2021				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**176,203**	**4,051**	**21,352**	**1**	**201,607**
New assets originated or purchased	**162,487**	**–**	**151**	**–**	**162,638**
Assets derecognised or repaid (excluding write-offs)	**(115,706)**	**(687)**	**(7,682)**	**(1)**	**(124,076)**
Transfers to Stage 1	**5,588**	**(3,255)**	**(2,333)**	**–**	**–**
Transfers to Stage 2	**(11,096)**	**11,372**	**(276)**	**–**	**–**
Transfers to Stage 3	**(4,666)**	**(8,370)**	**13,036**	**–**	**–**
Net change in accrued interest	**(155)**	**(73)**	**(303)**	**–**	**(531)**
Unwinding of discount	**–**	**–**	**3,228**	**–**	**3,228**
Recoveries	**–**	**–**	**2,413**	**–**	**2,413**
Write-off	**–**	**–**	**(17,730)**	**–**	**(17,730)**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**	**–**
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**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**	**–**
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 ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2020 is as follows:

	2020				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	182,768	3,326	4,972	1	191,067
New assets originated or purchased	106,981	–	–	–	106,981
Assets derecognised or repaid (excluding write-offs)	(96,914)	(476)	(1,222)	(1)	(98,613)
Transfers to Stage 1	6,172	(5,078)	(1,094)	–	–
Transfers to Stage 2	(16,534)	16,801	(267)	–	–
Transfers to Stage 3	(8,662)	(10,544)	19,206	–	–
Net change in accrued interest	2,392	65	343	1	2,801
Unwinding of discount	–	–	2,931	–	2,931
Recoveries	–	–	52	–	52
Write-off	–	(43)	(3,576)	–	(3,619)
Effect from changes in exchange rates	–	–	7	–	7
At 31 December	176,203	4,051	21,352	1	201,607

	2020				
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(4,006)	(1,603)	(4,307)	–	(9,916)
New assets originated or purchased	(2,879)	–	–	–	(2,879)
Assets derecognised or repaid (excluding write-offs)	2,366	134	382	–	2,882
Transfers to Stage 1	(4,162)	3,147	1,015	–	–
Transfers to Stage 2	621	(866)	245	–	–
Transfers to Stage 3	322	6,569	(6,891)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	409	(10,291)	(8,678)	–	(18,560)
Unwinding of discount	–	–	(2,931)	–	(2,931)
Recoveries	–	–	(52)	–	(52)
Write-off	–	43	3,576	–	3,619
Effect from changes in exchange rates	–	–	(7)	–	(7)
At 31 December	(7,329)	(2,867)	(17,648)	–	(27,844)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2021 is as follows:

	2021				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**4,657**	**5**	**485**	**–**	**5,147**
New assets originated or purchased	**1,291**	**–**	**–**	**–**	**1,291**
Assets derecognised or repaid (excluding write-offs)	**(1,585)**	**–**	**(117)**	**–**	**(1,702)**
Transfers to Stage 1	**1**	**–**	**(1)**	**–**	**–**
Transfers to Stage 2	**(3)**	**3**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(5)**	**5**	**–**	**–**
Net change in accrued interest	**(1)**	**–**	**(4)**	**–**	**(5)**
Unwinding of discount	**–**	**–**	**11**	**–**	**11**
Recoveries	**–**	**–**	**180**	**–**	**180**
Write-off	**–**	**–**	**(168)**	**–**	**(168)**
Effect from changes in exchange rates	**7**	**–**	**1**	**–**	**8**
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**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**	**–**
At 31 December	**–**	**–**	**(47)**	**–**	**(47)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for car loans for 2020 is as follows:

	2020				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	1,495	2	458	–	1,955
New assets originated or purchased	5,986	–	–	–	5,986
Assets derecognised or repaid (excluding write-offs)	(2,880)	–	(25)	–	(2,905)
Transfers to Stage 1	4	(2)	(2)	–	–
Transfers to Stage 2	(24)	24	–	–	–
Transfers to Stage 3	–	(19)	19	–	–
Net change in accrued interest	64	–	7	–	71
Unwinding of discount	–	–	22	–	22
Recoveries	–	–	20	–	20
Write-off	–	–	(15)	–	(15)
Effect from changes in exchange rates	12	–	1	–	13
At 31 December	4,657	5	485	–	5,147

	2020				
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	–	–	(91)	–	(91)
New assets originated or purchased	(7)	–	–	–	(7)
Assets derecognised or repaid (excluding write-offs)	3	–	14	–	17
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	3	–	(26)	–	(23)
Unwinding of discount	–	–	(22)	–	(22)
Recoveries	–	–	(20)	–	(20)
Write-off	–	–	15	–	15
Effect from changes in exchange rates	–	–	(1)	–	(1)
At 31 December	(1)	–	(131)	–	(132)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2021 is as follows:

	2021				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**4,224**	**124**	**1,131**	**–**	**5,479**
New assets originated or purchased	**26,537**	**–**	**164**	**–**	**26,701**
Assets derecognised or repaid (excluding write-offs)	**(26,381)**	**(221)**	**(315)**	**–**	**(26,917)**
Transfers to Stage 1	**223**	**(139)**	**(84)**	**–**	**–**
Transfers to Stage 2	**(595)**	**604**	**(9)**	**–**	**–**
Transfers to Stage 3	**(193)**	**(268)**	**461**	**–**	**–**
Net change in accrued interest	**(11)**	**(1)**	**–**	**–**	**(12)**
Unwinding of discount	**–**	**–**	**75**	**–**	**75**
Recoveries	**–**	**–**	**44**	**–**	**44**
Write-off	**–**	**–**	**(910)**	**–**	**(910)**
Effect from changes in exchange rates	**1**	**–**	**–**	**–**	**1**
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**
Effect from changes in exchange rates	**–**	**34**	**24**	**–**	**58**
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 ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2020 is as follows:

	2020				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	4,903	168	620	–	5,691
New assets originated or purchased	29,905	–	–	–	29,905
Disposal of a subsidiary	(105)	(3)	(55)	–	(163)
Assets derecognised or repaid (excluding write-offs)	(29,264)	(6)	(3)	–	(29,273)
Transfers to Stage 1	361	(231)	(130)	–	–
Transfers to Stage 2	(743)	770	(27)	–	–
Transfers to Stage 3	(339)	(556)	895	–	–
Net change in accrued interest	104	–	25	–	129
Unwinding of discount	–	–	94	–	94
Recoveries	–	–	3	–	3
Write-off	–	–	(131)	–	(131)
Effect from changes in exchange rates	(598)	(18)	(160)	–	(776)
At 31 December	4,224	124	1,131	–	5,479

	2020				
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(3,807)	(1)	–	–	(3,808)
Assets derecognised or repaid (excluding write-offs)	4,170	2	3	–	4,175
Transfers to Stage 1	(190)	83	107	–	–
Transfers to Stage 2	116	(137)	21	–	–
Transfers to Stage 3	81	160	(241)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(305)	(75)	(290)	–	(670)
Unwinding of discount	–	–	(94)	–	(94)
Recoveries	–	–	(3)	–	(3)
Write-off	–	–	131	–	131
Effect from changes in exchange rates	407	10	150	–	567
At 31 December	(523)	(114)	(737)	–	(1,374)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2021 is as follows:

	2021				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**83,713**	**1,954**	**48,121**	**18,437**	**152,225**
New assets originated or purchased	**9,698**	**–**	**–**	**2,569**	**12,267**
Assets derecognised or repaid (excluding write-offs)	**(40,877)**	**(1,096)**	**(5,588)**	**(4,203)**	**(51,764)**
Transfers to Stage 1	**7,417**	**(3,058)**	**(4,359)**	**–**	**–**
Transfers to Stage 2	**(5,459)**	**6,786**	**(1,327)**	**–**	**–**
Transfers to Stage 3	**(2,456)**	**(2,842)**	**5,298**	**–**	**–**
Net change in accrued interest	**(896)**	**(18)**	**(1,202)**	**488**	**(1,628)**
Unwinding of discount	**–**	**–**	**2,405**		**2,405**
Adjustment of the gross value of POCI assets	**–**	**–**	**–**	**3,100**	**3,100**
Recoveries	**–**	**–**	**814**		**814**
Write-off	**–**	**–**	**(21,265)**	**(3,546)**	**(24,811)**
Effect from changes in exchange rates	**43**	**–**	**16**	**18**	**77**
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**
Effect from changes in exchange rates	**–**	**–**	**(38)**	**–**	**(38)**
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 ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2020 is as follows:

	2020				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	124,553	6,801	58,674	13,199	203,227
New assets originated or purchased	17,003	–	–	5,526	22,529
Disposal of a subsidiary	(70)	–	–	–	(70)
Assets derecognised or repaid (excluding write-offs)	(53,481)	(1,676)	(12,596)	–	(67,753)
Transfers to Stage 1	4,957	(3,227)	(1,730)	–	–
Transfers to Stage 2	(8,492)	10,014	(1,522)	–	–
Transfers to Stage 3	(2,062)	(10,088)	12,150	–	–
Net change in accrued interest	1,145	126	1,350	260	2,881
Unwinding of discount	–	–	3,560	–	3,560
Recoveries	–	–	3,532	–	3,532
Write-off	–	–	(15,428)	(597)	(16,025)
Effect from changes in exchange rates	160	4	131	49	344
At 31 December	83,713	1,954	48,121	18,437	152,225

	2020				
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(132)	(28)	(16,563)	1,761	(14,962)
New assets originated or purchased	(167)	–	–	–	(167)
Assets derecognised or repaid (excluding write-offs)	26	15	3,724	160	3,925
Transfers to Stage 1	(131)	61	70	–	–
Transfers to Stage 2	14	(52)	38	–	–
Transfers to Stage 3	32	44	(76)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	235	(57)	(11,957)	(1,769)	(13,548)
Unwinding of discount	–	–	(3,560)	–	(3,560)
Recoveries	–	–	(3,532)	–	(3,532)
Write-off	–	–	15,428	597	16,025
Effect from changes in exchange rates	–	–	(105)	–	(105)
At 31 December	(123)	(17)	(16,533)	749	(15,924)

In 2021, the Bank revised the composition of key macroeconomic factors used in calculating the ECL approach to the timing of defaults, as well as the application of PIT calibration. As a result of the amendments, the ECL allowance was reduced by the Group in the amount of 2,353 million tenge.

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised in 2021 and 2020 were as follows:

	2021	***2020***
Mortgage loans	**487**	629
Other loans secured by collateral	**695**	702
Total undiscounted ECL at initial recognition of POCI	**1,182**	1,331

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

In 2020, the Group converted and forgave foreign currency loans under the state program for refinancing mortgage and housing loans to customers. At the time of conversion and forgiveness, the carrying amount of these loans was 23,768 million tenge. All loans were in Stage 3 at the time of conversion. Previously written-off loans, for which the right to claim was not terminated, were also subject to conversion and forgiveness. As a result of loan conversion and forgiveness, the Group recognized a loss on derecognition of loans to customers in the amount of 15,670 million tenge. In 2021, as part of this program, the Group forgave loans from socially vulnerable segments of the population. At the time of forgiveness, the value of the loans was 14,286 million tenge. As a result, the Group recognized a loss on derecognition of loans to customers in the amount of 10,004 million tenge.

As part of this government program, the Group attracted deposits from Kazakhstan Sustainability Fund JSC with a nominal interest rate 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 14,083 million tenge (2020: 26,879 million tenge) and was recognized net of a loss as a result of derecognition of loans to customers in "Net gains on derecognition of financial assets measured at amortized cost".

In 2020, the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. In particular, it has revised indicators of significant increase in credit risk and does not automatically consider the credit risk to have significantly increased in the case of a loan modification being part of the government support measures. The Group also updated forward looking information, including forecasts of macroeconomic indicators. In addition, the management of the Group made additional adjustments to expected credit losses as at 31 December 2020 in the amount of 617 million tenge.

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.

The Group has modified the terms and conditions of certain mortgage and consumer loans, and introduced payment holidays, as part of the measures introduced by the government related to consequences of COVID-19 pandemic. As a result, the Group recognized a loss from the modification of the terms of loans to customers, which amounted to 64 million tenge, as part of other expenses in the consolidated statement of comprehensive income (for 2020: 2.005 million tenge) *(Note 10)*. As at 31 December 2021, the principal and interest prolongation program has been completed.

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 2021 and 31 December 2020:

	31 December 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	**10,419**	**14,910**	**9,852**	**–**	**35,181**
Individually insignificant corporate loans	**17,705**	**672**	**8,378**	**–**	**26,755**
Mortgage loans	**3,415**	**118**	**357**	**1,673**	**5,563**
Consumer loans	**12,884**	**535**	**3,266**	**–**	**16,685**
Car loans	**47**	**–**	**–**	**–**	**47**
Credit cards	**45**	**3**	**17**	**–**	**65**
Other loans secured by collateral	**17,291**	**851**	**3,746**	**2,568**	**24,456**
Loans to customers before allowance for ECL	**61,806**	**17,089**	**25,616**	**4,241**	**108,752**

(millions of tenge)

15. Loans to customers (continued)

Modified and renegotiated loans (continued)

	31 December 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Individually significant loans	11,126	932	31,620	–	43,678
Individually insignificant corporate loans	31,414	1,033	10,833	–	43,280
Mortgage loans	5,811	293	610	1,818	8,532
Consumer loans	27,112	1,874	7,914	–	36,900
Car loans	103	–	–	–	103
Credit cards	80	1	52	–	133
Other loans secured by collateral	29,577	1,434	5,674	2,868	39,553
Loans to customers before allowance for ECL	105,223	5,567	56,703	4,686	172,179

As at 31 December 2021, 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 62,35% (31 December 2020: 55,31%).

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 2021, loans net of ECL allowance overdue over 90 days amount to 51,889 million tenge (as at 31 December 2020: 55,157 million tenge). As at 31 December 2021, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to 52.587 million tenge (31 December 2020: 69,011 million tenge).

Collateral withdrawn

In 2021, the Group received property classified within other assets with a carrying amount of 4,385 million tenge (2020: 7,717 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 2021, the Group had a concentration of loans represented by 164,689 million tenge due from the ten largest independent borrowers or 19.44% of gross loan portfolio (31 December 2020: 130,709 million tenge or 15.69% of gross loan portfolio). Allowance for ECL on these loans is 1,282 million tenge (31 December 2020: 2,431 million tenge).

(millions of tenge)

15. Loans to customers (continued)

Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	31 December 2021	*31 December 2020*
Loans to retail customers	**360,546**	419,821
Metallurgy	**68,633**	60,180
Wholesale trading	**64,154**	48,433
Services provided by small and medium businesses	**59,006**	44,486
Retail services	**45,686**	35,793
Real estate activities	**44,750**	49,556
Financial services	**34,131**	20,831
Food industry	**26,448**	21,514
Construction	**22,927**	20,475
Transport	**19,533**	16,543
Postal and communication services	**16,662**	6,100
Agriculture	**9,565**	6,752
Textile production	**8,368**	7,154
Production of crude oil and natural gas	**2,884**	5,924
Metal products manufacturing	**2,587**	3,026
Chemical industry	**2,454**	2,326
Manufacturing	**1,885**	1,924
Machine-building	**264**	554
Other	**56,656**	61,635
	847,139	833,027
Allowance for ECL	**(38,191)**	(83,285)
	808,948	749,742

Finance lease receivables

As at 31 December 2021 and 31 December 2020 loans to customers include finance lease receivables of 7.997 million tenge and 5.864 million tenge, respectively.

	31 December 2021	*31 December 2020*
Minimum lease payments receivable	**10,723**	7,336
Unearned finance income	**(2,312)**	(1,130)
Net minimum lease payments receivable	**8,411**	6,206
Less: ECL allowance	**(414)**	(342)
Net investment in finance leases	**7,997**	5,864
Current portion of minimum lease payments	**2,794**	4,010
Current portion of unearned finance income	**(307)**	(276)
Current portion of net minimum lease payments receivable	**2,487**	3,734
Non-current portion of minimum lease payments	**7,929**	3,326
Non-current portion of unearned finance income	**(2,005)**	(854)
Non-current portion of net minimum lease payments receivable	**5,924**	2,472
Net minimum lease payments receivable	**8,411**	6,206

(millions of tenge)

15. Loans to customers (continued)

Finance lease receivables (continued)

The analysis of finance lease receivables at 31 Deccember 2021 and 31 December 2020, is as follows:

At 31 December 2021	*Up to 1 year*	*From 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**

At 31 December 2020	*Up to 1 year*	*From 1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*Total*
Minimum lease payments receivable	4,010	2,244	818	206	58	7,336
Unearned finance income	(276)	(470)	(265)	(87)	(32)	(1,130)
Net minimum lease payments receivable	3,734	1,774	553	119	26	6,206

(millions of tenge)

16. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	31 December 2021	*31 December 2020*
Debt securities at amortized cost		
Government bonds		
Bonds of the NBRK rated BBB-	**–**	6,543
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**21,523**	17,128
Bonds of foreign countries rated at BB- to BB+	**870**	848
Total government bonds	**22,393**	24,519
Corporate bonds		
Rated from BBB- to BBB+	**177,244**	82,935
Rated from BB- to BB+	**83,965**	160,804
Total corporate bonds	**261,209**	243,739
Bonds of banks		
Rated from BBB- to BBB+	**1,643**	–
Rated from BB- to BB+	**–**	1,639
Rated from B- to B+	**5,310**	5,208
Total bonds of banks	**6,953**	6,847
Investment securities measured at amortised cost before ECL allowance	**290,555**	275,105
Allowance for ECL	**(274)**	(932)
Investment securities measured at amortized cost	**290,281**	274,173
Debt securities at FVOCI		
Government bonds		
Bonds of the NBRK rated BBB-	**49,202**	91,083
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**507,422**	276,764
Bonds of the Sultanate of Oman rated at BB	**–**	1,265
Total government bonds	**556,624**	369,112
Corporate bonds		
Rated from BBB- to BBB+	**111,770**	81,341
Rated from BB- to BB+	**5,765**	435
Total corporate bonds	**117,535**	81,776
Bonds of banks		
Rated from BBB- to BBB+	**17,271**	12,124
Rated from BB- to BB+	**303**	38,455
Rated below B+	**3,095**	4,455
Total bonds of banks	**20,669**	55,034
Investment securities measured at FVOCI	**694,828**	505,922

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, 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)*.

As at 31 December 2020, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of 23,466 million tenge, were pledged under the repurchase agreements entered into at the KASE *(Note 28)*.

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 2021, the total carrying amount of these bonds was 236,849 million tenge (31 December 2020: 236,933 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 asset*	*Total*
Cost								
At 1 January 2020	3,143	43,347	4,991	481	7,236	27,241	2,553	88,992
Additions	15	242	1,117	5	860	3,876	1,516	7,631
Transfers	–	4,162	41	–	(6,869)	1,717	–	(949)
Disposals	(30)	(19)	(152)	(7)	–	(1,173)	(929)	(2,310)
Disposals as a result of sale of a subsidiary	(486)	(3,503)	(752)	(26)	–	(959)	(252)	(5,978)
At 31 December 2020	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)**
At 31 December 2021	**2,642**	**44,292**	**5,727**	**492**	**1,220**	**31,236**	**2,842**	**88,451**
Accumulated depreciation								
At 1 January 2020	–	(3,421)	(2,374)	(299)	–	(11,425)	(818)	(18,337)
Depreciation charge for the year	–	(1,078)	(732)	(52)	–	(3,804)	(625)	(6,291)
Transfers	–	–	–	–	–	–	–	–
Disposals	–	19	109	6	–	1,032	384	1,550
Disposals as a result of sale of a subsidiary	–	330	481	7	–	556	132	1,506
At 31 December 2020	–	(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**
At 31 December 2021	**–**	**(5,199)**	**(3,237)**	**(389)**	**–**	**(15,913)**	**(1,076)**	**(25,814)**
Net book value								
At 1 January 2020	3,143	39,926	2,617	182	7,236	15,816	1,735	70,655
At 31 December 2020	2,642	40,079	2,729	115	1,227	17,061	1,961	65,814
At 31 December 2021	**2,642**	**39,093**	**2,490**	**103**	**1,220**	**15,323**	**1,766**	**62,637**

As at 31 December 2021, the cost and related accumulated depreciation of fully depreciated property and equipment amounted to 11,868 million tenge (31 December 2020: 9,561 million tenge).

(millions of tenge)

18. Other assets and other liabilities

Other assets comprise:

	31 December 2021	*31 December 2020*
Accounts receivable for the sale of repossessed collateral	**16,322**	14,940
Government subsidy receivable	**2,516**	3,177
Accounts receivable on commission income	**1,443**	2,590
Other accounts receivable from bank activities	**5,732**	7,791
	26,013	28,498
Allowance for ECL	**(3,087)**	(4,294)
Other financial assets	**22,926**	24,204
Repossessed collateral	**36,246**	51,694
Prepayments and other trade receivables	**4,911**	4,485
Prepaid taxes other than corporate income tax	**2,181**	2,766
Investment property	**2,469**	2,908
Inventories held for sale	**1,761**	1,956
Inventory	**786**	1,001
Other	**922**	765
	49,276	65,575
Impairment allowance	**(86)**	(44)
Other non-financial assets	**49,190**	65,531
Total other assets	**72,116**	89,735

The Group took possession of collateral with an estimated value of 4,385 million tenge during 2021 (2020: 7,717 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 2021	*31 December 2020*
Accrued expenses for employee benefits	**5,902**	4,469
Payables on non-banking activities	**3,539**	3,549
Lease liabilities	**1,941**	2,099
Obligations to pay mandatory contributions to the KDIF	**366**	445
Allowance for ECL for credit related commitments *(Note 30)*	**658**	734
Other	**1,191**	1,450
Other financial liabilities	**13,597**	12,746
Taxes payable other than corporate income tax	**2,078**	1,749
Other	**795**	255
Other non-financial liabilities	**2,873**	2,004
Total other liabilities	**16,470**	14,750

(millions of tenge)

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	31 December 2021	*31 December 2020*
Current accounts and demand deposits		
- Retail customers	**91,195**	84,652
- Corporate customers	**439,278**	369,583
Time deposits		
- Retail customers	**478,679**	437,787
- Corporate customers	**661,904**	419,687
Guarantee deposits		
- Retail customers	**17,462**	18,148
- Corporate customers	**45,241**	57,310
	1,733,759	1,387,167
Held as security against letters of credit and guarantees *(Note 30)*	**(2,416)**	(483)

Concentration of current accounts and deposits of customers

As at 31 December 2021, total amount of account balances of top 10 clients amounted to 386,317 million tenge or 22.28% of total current accounts and deposits of customers (31 December 2020: 300,912 million tenge or 21.69%).

As at 31 December 2021, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to 243,073 million tenge (31 December 2020: 232,166 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 financial institutions

Amounts due to banks and other financial institutions comprise:

	31 December 2021	*31 December 2020*
Loans and deposits from governmental organizations	**48,110**	45,587
Loans from other financial institutions	**22,706**	22,553
Liabilities due to Kazakhstan Sustainability Fund JSC	**14,280**	60,400
Current accounts and deposits of banks	**93**	1,930
	85,189	130,470

As at 31 December 2021, loans from public institutions included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of 34,960 million tenge and 13,079 million tenge, respectively (31 December 2020: 32,417 million tenge and 13,015 million tenge, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2022-2035.

As at 31 December 2021 loans from other financial institutions include loans in the amount of 22,706 million tenge (31 December 2020: 22,553 million tenge) received from European Bank for Reconstruction and Development 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 are denominated in tenge, bear interest rates of 10.35% per annum and mature in 2023. As at 31 December 2021, a deposit in the amount of 25,794 million tenge placed by the Bank with the EBRD acts as collateral for these obligations (31 December 2020: 25,245 million tenge) *(Note 13)*.

(millions of tenge)

20. Amounts due to banks and other financial institutions (continued)

As at 31 December 2020, liabilities to the Kazakhstan Sustainability Fund JSC included funds in the amount of 46,756 million tenge received as part of the implementation of measures of the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These liabilities include deposits denominated in tenge in the amount of 18,967 million tenge, with a nominal rate of 5.00% per annum and maturing in 2021 and funds in the amount of 27,789 million tenge not providing for the accrual and payment of interest until the moment the said funds are utilized by the Bank *(Note 13)*. As at 31 December 2021, the funds were returned to Kazakhstan Sustainability Fund JSC in connection with the completion of the state support program.

As at 31 December 2021, liabilities to Kazakhstan Sustainability Fund JSC include deposits in the amount of 11,734 million tenge (31 December 2020: 10,666 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 at initial recognition was determined by the Group using market rates ranging from 14.07% to 14.40% per annum (31 December 2020: from 13.50% to 13.95% per annum). The fair value of mortgage loans upon derecognition as a result of a significant modification was determined by the Group using market rates from 18.07% to 18.40% per annum (31 December 2020: from 17.50% to 17.95% per annum). In 2021, the Group recognized net income from government grants less loss on derecognition of loans to customers in the amount of 4,079 million tenge (2020: 11,209 million tenge) in the consolidated statement of comprehensive income.

In February 2020, the Bank entered into agreements with KSF under the program approved by NBRK to refinance the residential mortgage loans, according to which the terms of the deposits were extended to 30 years. Refunds of the deposits will be made at the end of the term. As a result of modification of the contractual terms of deposits, the Bank recognized a gain on derecognition of these instruments in the amount of 17,956 million tenge, as well as a related effect on deferred corporate income tax of 3,591 million tenge in the consolidated statement of comprehensive income.

21. Debt securities issued

Debt securities issued comprise:

	Maturity	*Coupon rate*	*31 December 2021*	*31 December 2020*
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	**16,171**	16,829
Eurobonds issued in 2010	2022	14.00%	**15,497**	15,136
			31,668	31,965
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	**172,406**	159,837
Bonds issued in 2015	2025	10.13%	**49,046**	48,400
			221,452	208,237
			253,120	240,202

In September 2018, the Group 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 2021 and 31 December 2020, subordinated debt includes tenge denominated subordinated debt securities issued maturing in 2022-2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months.

(millions of tenge)

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2021 and 2020 are as follows:

	31 December 2021	*31 December 2020*
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	**(1,934,376,697)**	(3,391,835,697)
Number of outstanding shares	**90,452,727,392**	88,995,268,392
Total share capital, millions of tenge	**329,350**	327,555

Movements in outstanding, placed and fully paid shares were as follows:

	Quantity of common shares	*Placement value of common shares, in million tenge*
At 1 January 2021	**88,995,268,392**	**327,555**
Sale of previously repurchased shares	**1,457,459,000**	**1,795**
At 31 December 2021	**90,452,727,392**	**329,350**
At 1 January 2020	89,493,581,272	328,377
Purchase of treasury shares	(498,312,880)	(822)
At 31 December 2020	88,995,268,392	327,555

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.

Subject to the decision of shareholders dated 4 May 2020, the Bank declared and paid dividends on common shares for the year ended 31 December 2019, in the amount of 21,110 million tenge.

Fair value reserve

This reserve records fair value changes on financial assets at FVOCI.

The movement in the fair value reserve is as follows:

	2021	*2020*
At 1 January	**9,207**	5,858
Net change in fair value of debt instruments at fair value through other comprehensive income	**(320)**	3,183
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	**(1,081)**	338
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss	**195**	(226)
Income tax relating to components of other comprehensive income	**136**	54
At 31 December	**8,137**	9,207

(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.

	2021	***2020***
Net profit attributable to shareholders of the Bank	**64,060**	52,962
The average weighted number of common shares for the year ended 31 December	**89,111,066,504**	89,112,358,304
Basic and diluted earnings per share, tenge	**0.72**	0.59

As at 31 December 2021 and 2020, 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.

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

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.

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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

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 ECL allowance 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 revenue 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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

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;
- Decease of the borrower;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restructuring due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the unit working with non-performing loans.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

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 or CDS 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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default (continued)

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. LGD levels for securities issuers of the Bank's own securities portfolio are assessed on the basis of external data of the international rating agency Moody's.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;
- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Purchased credit impaired financial assets managed on a collective basis.

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.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios

In 2021, the Group eliminated the following macro factors for the purposes of estimating ECL allowances:

- GDP growth;
- Volume of production of oil and gas condensate;
- Unemployment rates;
- Refinancing rate, %;
- Volume of gross agricultural output;
- Volume of industrial production,
- Volume of retail trade.

As at 31 December 21, the Group uses the following forward-looking information in its ECL calculation models as economic inputs:

- Rate of inflation;
- Real salary index;
- Foreign exchange rates.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK, and international financial institutions). Experts of the Group's Strategic Risks Function determine the weights attributable to the multiple scenarios. Range of predictive values of key factors used by segments/subsegments depending on scenario weights in the ECL calculation as at 31 December 2021 are presented below:

Key drivers	***ECL scenario***	***Assigned probabilities, %***	***Forecast***
USD/KZT exchange rate			
	Positive	5%	392.80-400.13
	Base case	50%	453.55-462.01
	Negative	45%	459.24-467.80
Inflation, %			
	Positive	5%	4.4%
	Base case	50%	6.9%
	Negative	45%	7%
Real salary index, %			
	Positive	5%	11.4%
	Base case	50%	1.9%
	Negative	45%	0.4%

The table below shows the values of the main forecast economic variables/assumptions that were used in 2020 for the baseline forecast scenario of key macroeconomic factors for the purpose of estimating ECL. This scenario was used as a baseline scenario with a probability of 80%. In addition, the calculations also involved pessimistic and optimistic scenarios with a 10% probability each.

Key drivers	
Brent oil price (Brent ICE), US dollars	20.00
GDP index, % to the previous year	99.4
Volume of oil and gas condensate extraction, million tons	90.00
Inflation, %	10.40
USD/KZT exchange rate	509.0

The amount of the ECL allowance for loans to customers recognized in the consolidated statement of financial position as at 31 December 2021 was 38,191 million tenge (31 December 2020: 83,285 million tenge). More details are provided in *Note 15*.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analyzing the number of days overdue for the retail and SME segment 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.

Rarings of international external rating agency (Moody's)	***Rarings of international external rating agency (Fitch)***	***Annual PD***
Aa1 to Aaa	AA+ to AAA	0.00-0.07%
Aa2	AA	
A1 to Aa3	A+ to AA-	
A3 to A2	A- to A	0.04-0.46%
Baa1	BBB+	
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	
Ba3 to Ba2	BB- to BB	0.74-9.80%
B3 to B1	B- to B+	
Caa2 to Caa1	CCC to CCC+	
Ca to Caa3	C to CCC-	22.05-39.01%
Default	D	100%

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	62.34%

Geographic information

As of 31 December 2021, the Bank's assets and liabilities are mainly 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.

(millions of tenge)

25. Risk management (continued)

Market risk(continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of 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 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 (bp) symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 2020 is as follows:

	2021	***2020***
	Effect on profit	***Effect on profit***
100 basis points parallel decrease	**225.9**	280.9
300 basis points parallel increase	**(677.7)**	(842.8)

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 2021 and 2020 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2021		***2020***	
	Effect on profit	***Impact on other comprehen-sive income***	***Effect on profit***	***Impact on other comprehen-sive income***
100 basis points parallel decrease	**–**	**13,294**	111	8,255
300 basis points parallel increase	**–**	**(37,426)**	(317)	(24,534)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Despite the fact that the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows financial assets and liabilities by foreign currencies:

31 December 2021	*Tenge*	*USD*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	**196,019**	**218,141**	**11,802**	**6,986**	**432,948**
Amounts due from financial institutions	**4,829**	**42,161**	**–**	**–**	**46,990**
Trading securities	**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 financial 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**
Impact of derivative instruments held for the purpose of risk management	**1,127**	**(5,152)**	**(1,565)**	**5,590**	**–**
Net position adjusted for impact of derivative instruments held for the purpose of risk management	**173,312**	**(5,278)**	**404**	**221**	**168,659**

The following table shows financial assets and liabilities by foreign currencies:

31 December 2020	*Tenge*	*USD*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	126,169	170,038	11,369	4,056	311,632
Amounts due from financial institutions	34,969	38,738	–	–	73,707
Trading securities	1,440	5,937	–	–	7,377
Loans to customers	659,285	90,077	6	374	749,742
Investment securities	521,639	233,794	24,662	–	780,095
Other financial assets	24,172	–	29	3	24,204
Total financial assets	1,367,674	538,584	36,066	4,433	1,946,757
Liabilities					
Current accounts and deposits of customers	805,034	543,580	33,050	5,503	1,387,167
Amounts due to banks and other financial institutions	128,539	1,840	91	–	130,470
Amounts payable under repurchase agreements	21,670	–	–	–	21,670
Debt securities issued	208,237	31,965	–	–	240,202
Subordinated debt	20,503	–	–	–	20,503
Other financial liabilities	12,014	444	254	34	12,746
Total financial liabilities	1,195,997	577,829	33,395	5,537	1,812,758
Net position	171,677	(39,245)	2,671	(1,104)	133,999
Impact of derivative instruments held for the purpose of risk management	(27,105)	27,989	(2,584)	1,700	–
Net position adjusted for impact of derivative instruments held for the purpose of risk management	144,572	(11,256)	87	596	133,999

(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.

	2021		***2020***	
Currency	***Increase in currency rate in %***	***Effect on profit before tax***	***Increase in currency rate in %***	***Effect on profit before tax***
US dollar	**13**	**(686)**	14	(1,576)
Euro	**13**	**53**	14	12

	2021		***2020***	
Currency	***Decrease in currency rate, %***	***Effect on profit before tax***	***Decrease in currency rate, %***	***Effect on profit before tax***
US dollar	**(10)**	**528**	(11)	1,238
Euro	**(10)**	**(40)**	(11)	(10)

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 financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Liquidity risk management policy is reviewed and approved by the Board of Directors.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

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 maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be claimed.

(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 2021 is as follows:

31 December 2021	*On demand and less than 1 month*	*From 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 financial institutions	**–**	**–**	**–**	**31,304**	**15,686**	**46,990**	**46,990**
Trading securities	**1,452**	**–**	**–**	**–**	**1,518**	**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	**564,010**	**110,167**	**461,882**	**1,882,026**	**264,033**	**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 financial 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	**(502,833)**	**(42,606)**	**50,545**	**1,380,846**	**161,812**	**1,047,764**	**168,659**
Contingent liabilities	**(6,258)**	**(8,587)**	**(10,400)**	**(34,524)**	**(390)**	**(60,159)**	

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 2020 is as follows:

31 December 2020	*On demand and less than 1 month*	*From 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	311,756	–	–	–	–	311,756	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	73,707	73,707
Trading securities	7,377	–	–	–	–	7,377	7,377
Loans to customers	76,015	64,299	215,135	754,848	137,386	1,247,683	749,742
Investment securities	51,331	69,512	121,657	596,897	88,173	927,570	780,095
Other financial assets	1,489	639	8,967	12,793	316	24,204	24,204
Total non-derivative financial assets	447,968	134,450	373,617	1,395,106	241,156	2,592,297	1,946,757
Non-derivative financial liabilities							
Current accounts and deposits of customers	(735,672)	(66,728)	(454,045)	(161,933)	(4,644)	(1,423,022)	(1,387,167)
Amounts due to banks and other financial institutions	(1,968)	(937)	(13,404)	(37,929)	(113,074)	(167,312)	(130,470)
Amounts payable under repurchase agreements	(21,718)	–	–	–	–	(21,718)	(21,670)
Debt securities issued	(2,530)	–	(11,200)	(273,184)	–	(286,914)	(240,202)
Subordinated debt	(118)	–	(1,498)	(13,713)	(13,748)	(29,077)	(20,503)
Other financial liabilities	(7,458)	(50)	(2,098)	(234)	(2,906)	(12,746)	(12,746)
Total non-derivative financial liabilities	(769,464)	(67,715)	(482,245)	(486,993)	(134,372)	(1,940,789)	(1,812,758)
Net liquidity gap on financial assets and financial liabilities	(321,496)	66,735	(108,628)	908,113	106,784	651,508	133,999
Contingent liabilities	(5,717)	(4,802)	(12,483)	(27,527)	(444)	(50,973)	

(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 2021 and 2020:

31 December 2021	*Less than 1 month*	*From 1 to 3 months*	*From 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 financial institutions	**–**	**–**	**–**	**31,304**	**15,686**	**–**	**–**	**46,990**
Trading securities	**1,452**	**–**	**–**	**–**	**1,518**	**–**	**–**	**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	**522,298**	**91,834**	**402,343**	**1,167,801**	**124,569**	**80,372**	**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 financial 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)**
Deferred tax liabilities	**–**	**–**	**–**	**(13,987)**	**–**	**–**	**–**	**(13,987)**
Subordinated debt	**(119)**	**–**	**(6,180)**	**(5,396)**	**(8,808)**	**–**	**–**	**(20,503)**
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	**(541,132)**	**(56,163)**	**11,007**	**699,128**	**47,936**	**80,372**	**36,549**	**277,697**
Net accumulated position	**(541,132)**	**(597,295)**	**(586,288)**	**112,840**	**160,776**	**241,148**	**277,697**	

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

31 December 2020	*Less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	311,632	–	–	–	–	–	–	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	–	–	73,707
Trading securities	7,377	–	–	–	–	–	–	7,377
Loans to customers	37,936	55,599	156,913	412,110	50,495	–	36,689	749,742
Investment securities	50,649	66,571	98,543	496,611	67,721	–	–	780,095
Property and equipment	–	–	–	–	–	65,814	–	65,814
Intangible assets	–	–	–	–	–	11,162	–	11,162
Other assets	394	24	66,116	17,985	948	2,908	1,360	89,735
Total assets	407,988	122,194	349,430	957,274	134,445	79,884	38,049	2,089,264
Liabilities								
Current accounts and deposits of customers	(733,227)	(62,219)	(441,229)	(147,300)	(3,192)	–	–	(1,387,167)
Amounts due to banks and other financial institutions	(1,945)	(351)	(10,811)	(28,883)	(88,480)	–	–	(130,470)
Amounts payable under repurchase agreements	(21,670)	–	–	–	–	–	–	(21,670)
Debt securities issued	(2,151)	–	(568)	(237,483)	–	–	–	(240,202)
Deferred tax liabilities	–	–	–	(11,171)	–	–	–	(11,171)
Subordinated debt	(117)	–	(192)	(8,809)	(11,385)	–	–	(20,503)
Other liabilities	(7,398)	(264)	(3,900)	(236)	(2,906)	–	(46)	(14,750)
Total liabilities	(766,508)	(62,834)	(456,700)	(433,882)	(105,963)	–	(46)	(1,825,933)
Net position	(358,520)	59,360	(107,270)	523,392	28,482	79,884	38,003	263,331
Net accumulated position	(358,520)	(299,160)	(406,430)	116,962	145,444	225,328	263,331	

(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
- 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 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)*.

As at 31 December 2020, the Group has payables under repurchase agreements in the amount of 21.670 million tenge, which are collateralized by investment securities with a total fair value of 23,466 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 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***
Receivables under reverse repurchase agreements *(Note 12)*	**144,646**	**–**	**144,646**	**(145,653)**	**(1,007)**
Accounts payable under repurchase agreements *(Note 16)*	**(25,064)**	**–**	**(25,064)**	**25,062**	**(2)**
	119,582	**–**	**119,582**	**(120,591)**	**(1,009)**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020.

31 December 2020	***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***
Receivables under reverse repurchase agreements *(Note 12)*	42,547	–	42,547	(42,545)	2
Accounts payable under repurchase agreements *(Note 16)*	(21,670)	–	(21,670)	23,466	1,796
	20,877	–	20,877	(19,079)	1,798

(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 2019	229,263	25,951	255,214
Disposal of a subsidiary	–	(3,386)	(3,386)
Proceeds from issue	1,533	–	1,533
Repurchase	(1,264)	–	(1,264)
Redemption	(3,901)	(2,200)	(6,101)
Accrual of interest	16,506	2,040	18,546
Repayment of interest	(16,618)	(1,937)	(18,555)
Foreign exchange differences	3,019	35	3,054
Unwinding of discount	11,664	–	11,664
Carrying amount as at 31 December 2020	240,202	20,503	260,705
Proceeds from issue	**4**	**–**	**4**
Repurchase	**(1,088)**	**–**	**(1,088)**
Redemption	**–**	**–**	**–**
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**

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 2021 and 2020 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) in the value not less than 7.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2) of not less than 8.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) in the value not less than 10%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (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.

(millions of tenge)

29. Capital management (continued)

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2021 and 2020:

	31 December 2021	*31 December 2020*
Tier 1 capital	**252,085**	244,336
Tier 2 capital	**12,885**	14,839
Total regulatory capital	**264,970**	259,175
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,089,944**	1,164,668
Ratio k1	**23.1%**	21.0%
Ratio k1-2	**23.1%**	21.0%
Ratio k2	**24.3%**	22.3%

30. Commitments and contingencies

Operating 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.

Due to the rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, have introduced quarantine measures that have a significant impact on the level and scale of business activity of market participants. The pandemic and measures to minimize its consequences had a significant impact on the activities of companies from various industries. Since March 2020, there has been significant volatility in the capital, currency and commodity markets, including a decrease in oil prices and a depreciation of tenge against US dollar and euro, which has led to increased uncertainty about further economic growth, which could negatively affect the financial situation, results of operations and economic prospects of the Group.

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 2021	*31 December 2020*
Undrawn loan commitments	**132,972**	147,045
Guarantees issued	**57,325**	47,522
Letters of credit	**2,835**	764
	193,132	195,331
Less: amounts due to customers held as security against letters of credit and guarantees *(Note 19)*	**(2,416)**	(483)
Less: allowance for expected losses	**(658)**	(734)
	190,058	194,114

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.

(millions of tenge)

30. Commitments and contingencies (continued)

Credit related commitments (continued)

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 13 members of the Management Board and Board of Directors (2020: 17 members) included in general and administrative expenses for 2021 and 2020 is as follows:

	2021	***2020***
Members of the Board of Directors and the Management Board of the Group	**4,502**	3,148
	4,502	3,148

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 2021, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to 1.800 million tenge (31 December 2020: 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.

(millions of tenge)

31. Related party transactions (continued)

Transactions with other related parties

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 2021 and related profit or loss amounts of transactions for 2021 with related parties 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 revenue	**–**	**–**	**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)**

The outstanding balances and the related average effective rates as at 31 December 2020 and related profit or loss on transactions with other related parties for 2020 are as follows:

	2020						
	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	–	–	–	–	4,245	3.00-17.50	4,245
Other assets	–	–	19	–	1	–	20
Liabilities							
Current accounts and deposits of customers	12,159	1.00	12,841	1.53	12,026	0.28	37,026
Other liabilities	–	–	16	–	–	–	16
Contingent liabilities	–	–	–	–	192	–	192

	2020			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest revenue	–	–	275	275
Interest expense	(173)	(78)	(770)	(1,021)
Fee and commission income	–	10	9	19
Net gain from foreign currencies	–	–	26	26
Other expenses	–	(158)	(867)	(1,025)

(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 and individual entrepreneurs).
- 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 financial 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 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 financial institutions	**794**	**3,609**	**394**	**42,193**	**–**	**46,990**
Trading securities	**–**	**–**	**–**	**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 financial institutions	**10,569**	**55,435**	**8,608**	**99**	**10,478**	**85,189**
Amounts payable under repurchase agreements	**–**	**–**	**–**	**25,064**	**–**	**25,064**
Debt securities issued	**–**	**–**	**16,170**	**172,406**	**64,544**	**253,120**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**13,987**	**13,987**
Subordinated debt	**–**	**–**	**–**	**–**	**20,503**	**20,503**
Other liabilities	**25**	**62**	**2,331**	**37**	**14,015**	**16,470**
Total liabilities	**709,783**	**496,063**	**621,112**	**197,606**	**123,528**	**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 is presented as follows:

	2021						
	CB	*SMB*	*RB*	*Investing activities*	*Other*	*Eliminatio n*	*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 expenses	**(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 on derecognition of investment securities at fair value through other comprehensive income	**–**	**–**	**–**	**(195)**	**–**	**–**	**(195)**
Net gains /(losses) from foreign currencies	**3,663**	**5,547**	**2,710**	**(2,083)**	**1,188**	**–**	**11,025**
Net (losses)/gains on derecognition of financial assets measured at amortized cost	**–**	**–**	**(2,910)**	**–**	**6,989**	**–**	**4,079**
Other income	**(158)**	**644**	**221**	**3**	**3,413**	**–**	**4,123**
Non-interest income	**4,701**	**16,967**	**10,760**	**(2,480)**	**11,568**	**–**	**41,516**
Credit loss expense	**2,026**	**(1,917)**	**(10,610)**	**1,836**	**(1,218)**	**–**	**(9,883)**
Net losses on transactions with financial instruments at fair value through profit or loss	**–**	**–**	**–**	**(1,154)**	**–**	**–**	**(1,154)**
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)**	**(718)**	**(11,888)**	**–**	**(70,348)**
Other transfer income and expenses	**(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)

32. Segment analysis (continued)

31 December 2020	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	48,041	38,994	60,537	156,031	8,029	311,632
Amounts due from financial institutions	2,497	31,890	597	38,723	–	73,707
Trading securities	–	–	–	7,377	–	7,377
Loans to customers	143,901	209,286	332,956	–	63,599	749,742
Investment securities	–	–	–	780,095	–	780,095
Property and equipment	–	–	–	–	65,814	65,814
Intangible assets	–	–	–	–	11,162	11,162
Other assets	35	430	2,214	1,135	85,921	89,735
Total assets	194,474	280,600	396,304	983,361	234,525	2,089,264
Liabilities						
Current accounts and deposits of customers	525,121	313,218	548,827	–	1	1,387,167
Amounts due to banks and other financial institutions	12,677	99,258	5,156	2,955	10,424	130,470
Amounts payable under repurchase agreements	–	–	–	21,670	–	21,670
Debt securities issued	–	–	16,827	159,837	63,538	240,202
Deferred tax liabilities	–	–	–	–	11,171	11,171
Subordinated debt	–	–	–	–	20,503	20,503
Other liabilities	331	482	2,800	22	11,115	14,750
Total liabilities	538,129	412,958	573,610	184,484	116,752	1,825,933
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	21,109	21,109
Treasury shares	–	–	–	–	(5,260)	(5,260)
Fair value reserve	–	–	–	–	9,207	9,207
Accumulated losses	–	–	–	–	(94,540)	(94,540)
Total equity attributable to shareholders of the Bank	–	–	–	–	263,331	263,331

(millions of tenge)

32. Segment analysis (continued)

Information on the main reporting segments for 2020 may be presented as follows:

	2020						
	CB	*SMB*	*RB*	*Investing activities*	*Other*	*Eliminatio n*	*Total*
Interest income	10,648	25,002	70,097	60,992	18,765	–	185,504
Transfer income	30,121	20,932	28,595	21,396	9,652	(110,696)	–
Interest expenses	(20,774)	(9,472)	(23,013)	(23,003)	(14,213)	–	(90,475)
Transfer expenses	(8,693)	(15,780)	(33,892)	(61,405)	(5,331)	125,101	–
Net interest income	11,302	20,682	41,787	(2,020)	8,873	14,405	95,029
Fee and commission income	2,283	17,019	14,565	469	1,137	–	35,473
Fee and commission expense	(1,146)	(7,046)	(5,052)	(430)	(597)	–	(14,271)
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	226	–	–	226
Net gains /(losses) from foreign currencies	3,236	6,221	3,418	(3,587)	4,052	–	13,340
Net gains/(losses) on derecognition of financial assets measured at amortized cost	–	(109)	1,173	–	10,145	–	11,209
Net gains on derecognition of financial liabilities as a result of modifications	–	–	561	–	17,395	–	17,956
Other income/(expenses)	21	321	3,989	77	(742)	–	3,666
Non-interest income	4,394	16,406	18,654	(3,245)	31,390	–	67,599
Credit loss expense	(1,140)	(2,785)	(21,583)	(686)	(12,753)	–	(38,947)
Net losses on transactions with financial instruments at fair value through profit or loss	–	–	–	(1,583)	–	–	(1,583)
Loss from disposal of subsidiaries	–	–	–	–	(587)	–	(587)
General and administrative expenses	(2,743)	(10,399)	(23,718)	(2,853)	(9,047)	–	(48,760)
Other expenses	(63)	(570)	(1,970)	(186)	(5,995)	–	(8,784)
Non-interest expense	(3,946)	(13,754)	(47,271)	(5,308)	(28,382)	–	(98,661)
Other transfer income and expenses	(1,646)	(658)	(3,399)	36,909	(16,801)	(14,405)	–
Profit/(loss) before corporate income tax expense	10,104	22,676	9,771	26,336	(4,920)	–	63,967
Corporate income tax expenses	(1,148)	(2,577)	(1,110)	(3,010)	(3,160)	–	(11,005)
Profit/(loss) for the year	8,956	20,099	8,661	23,326	(8,080)	–	52,962

(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 2021:

	31 December 2021				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	**–**	**432,948**	**432,948**	**432,948**	**–**
Amounts due from financial institutions	**–**	**46,990**	**46,990**	**46,990**	**–**
Trading securities	**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 financial 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 table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

	31 December 2020				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	–	311,632	311,632	311,632	–
Amounts due from financial institutions	–	73,707	73,707	73,707	–
Trading securities	7,377	–	7,377	7,377	–
Loans to customers	–	749,742	749,742	753,405	3,663
Investment securities measured at FVOCI	505,922	–	505,922	505,922	–
Investment securities measured at amortized cost	–	274,173	274,173	272,813	(1,360)
Other financial assets	–	24,204	24,204	24,204	–
	513,299	1,433,458	1,946,757	1,949,060	2,303
Current accounts and deposits of customers	–	1,387,167	1,387,167	1,389,323	(2,156)
Amounts due to banks and other financial institutions	–	130,470	130,470	119,642	10,828
Amounts payable under repurchase agreements	–	21,670	21,670	23,466	(1,796)
Debt securities issued	–	240,202	240,202	234,866	5,336
Subordinated debt	–	20,503	20,503	16,369	4,134
Other financial liabilities	–	12,746	12,746	12,746	–
	–	1,812,758	1,812,758	1,796,412	16,346
					18,649

(millions of tenge)

33. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

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.

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 their fair value approximates to the carrying amount. 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 financial institutions, deposits of banks and other financial 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 4.84% to 14.51% was used to discount the future cash flows from loans to corporate customers (31 December 2020: 5.20% to 13.88%).
- The discount rate of 28.73% was used to calculate the future cash flows from loans to individuals (31 December 2020: 3.85% to 20.78%).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(millions of tenge)

34. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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.

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Trading securities	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**

The following table analyses financial instruments carried at fair value as at 31 December 2020, 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					
Trading securities	14	5,937	–	1,440	7,377
Investment securities measured at FVOCI	16	388,114	117,808	–	505,922
		394,051	117,808	1,440	513,299

As of 31 December 2021, KSF debt securities valued under the FVOCI in the amount of KZT 95,705 million were assigned to Level 2 of the fair value hierarchy (as of 31 December 2020: KZT 56,208 million). These investment securities are treated as high-quality liquid assets for regulatory purposes, but are classified in Level 2 due to the insufficient volume of transactions with these securities in the active market.

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2021:

	Trading securities
At 1 January 2021	**1,440**
Net gain from transactions with financial instruments at fair value through profit or loss	**12**
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	**–**
At 31 December 2021	**1,452**

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2020:

	Trading securities
At 1 January 2020	1,440
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	–
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	–
At 31 December 2020	1,440

(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 financial 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 financial 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 of 31 December 2021, KSF debt securities measured at amortized cost in the amount of 4,528 million tenge are assigned to Level 2 of the fair value hierarchy. These investment securities are treated as high-quality liquid assets for regulatory purposes, but are classified in Level 2 due to the insufficient volume of transactions with these securities in the active market.

The following table analyses financial instruments not measured at fair value as at 31 December 2020, 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	–	311,632	–	311,632	311,632
Amounts due from financial institutions	–	73,707	–	73,707	73,707
Loans to customers	–	–	753,405	753,405	749,742
Investment securities measured at amortized cost	34,721	9,440	228,652	272,813	274,173
Other financial assets	–	–	24,204	24,204	24,204
Liabilities					
Current accounts and deposits of customers	–	1,389,323	–	1,389,323	1,387,167
Amounts due to banks and other financial institutions	–	119,642	–	119,642	130,470
Amounts payable under repurchase agreements	–	23,466	–	23,466	21,670
Debt securities issued	–	234,866	–	234,866	240,202
Subordinated debt	–	16,369	–	16,369	20,503
Other financial liabilities	–	12,746	–	12,746	12,746

(millions of tenge)

34. Events after the reporting period

On 2 January 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

As at 9 March 2022, the state of emergency was lifted. The Group is currently unable to quantify what the impact, if any, may be on the Group's financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions have been announced by majority of western countries against the Russian Federation. These sanctions are targeted to have a negative economic impact on the Russian Federation.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the euro.

On 24 February 2022, the Monetary Policy Committee of the NBRK made an extraordinary decision to raise the base rate to 13.5% per annum with an interest rate collar of +/- 1%.

In order to manage country risk, the Bank controls transactions with counterparties within the limits established by the collegial body of the Bank, which are reviewed regularly. As at 31 December 2021, the concentration of amounts due from Russian counterparties amounted to 4,431 million tenge, which comprised amounts in accounts with financial institutions and investments securities at fair value through other comprehensive income. The Bank has taken measures to reduce risks, including minimizing such concentration.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Currently, the Group's management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.

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