



**JOINT STOCK COMPANY
BANK CENTERCREDIT**

Consolidated Interim Condensed Financial
Statements
for the six months ended 30 June 2023

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Board of Directors and Shareholders of Joint Stock Company Bank CenterCredit

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Joint Stock Company Bank CenterCredit and its subsidiaries (the "Group") as at 30 June 2023, and the related consolidated interim condensed statements of profit and loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Joint Stock Company Bank CenterCredit

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

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Other matter

The consolidated interim condensed statements of profit and loss, comprehensive income for the three-month period ended 30 June 2023 and the corresponding figures for the three- and six-month periods ended 30 June 2023 are not reviewed.



Assel Urdabayeva
Attorney (Audit Partner)
KPMG Audit LLC
Almaty, Republic Kazakhstan

27 September 2023

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, except for earnings per share which is expressed in tenge)

| | Note | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|------|---|---|---|---|
| Interest income calculated using the effective interest rate method | | 122,323 | 60,714 | 237,524 | 104,149 |
| Other interest income | | 789 | 738 | 1,600 | 1,486 |
| Interest expense | | (61,742) | (31,588) | (125,804) | (55,381) |
| Net interest income before expected credit loss allowance on interest-bearing assets | 6 | 61,370 | 29,864 | 113,320 | 50,254 |
| Expected credit loss allowance on loans to customers and banks | 7 | (8,954) | (12,873) | (27,830) | (18,890) |
| Net interest income | | 52,416 | 16,991 | 85,490 | 31,364 |
| Fee and commission income | 8 | 22,825 | 10,601 | 40,877 | 18,118 |
| Fee and commission expense | 8 | (9,605) | (4,178) | (17,113) | (7,096) |
| Net fee and commission income | | 13,220 | 6,423 | 23,764 | 11,022 |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 9 | 2,455 | (7,090) | 4,932 | (14,316) |
| Net gain on sale and repayment of financial assets measured at fair value through other comprehensive income | | 440 | 392 | 617 | 299 |
| Net foreign exchange gain | 10 | 12,385 | 16,728 | 23,442 | 30,544 |
| Expected credit loss allowance on other financial assets and due from banks | | (2,175) | (373) | (2,818) | (554) |
| Change of provision for credit related commitments | 29 | (10,513) | (224) | (10,019) | (117) |
| Impairment loss on other non-financial assets | | (69) | (78) | (720) | - |
| Other income/(expenses) | | 1,400 | 229 | (513) | (693) |
| Net non-interest income | | 17,143 | 16,007 | 38,685 | 26,185 |

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.


JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2023

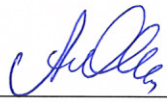
(in millions of Kazakhstani tenge, except for earnings per share which is expressed in tenge)

| | Note | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|------|---|---|---|---|
| Operating income | | 69,559 | 32,998 | 124,175 | 57,549 |
| Operating expenses | 11 | (29,077) | (24,198) | (55,491) | (37,436) |
| Operating income before income tax | | 40,482 | 8,800 | 68,684 | 20,113 |
| Bargain purchase gain | 4 | - | 84,222 | - | 84,222 |
| Profit before corporate income tax expense | | 40,482 | 93,022 | 68,684 | 104,335 |
| Income tax expense | 12 | (2,823) | (1,039) | (5,985) | (1,043) |
| Profit for the period | | 37,659 | 91,983 | 62,699 | 103,292 |
| Profit attributable to: | | | | | |
| Equity holders of the Bank | | 37,607 | 91,983 | 62,647 | 103,292 |
| Non-controlling interests | | 52 | - | 52 | - |
| Earnings per share | | | | | |
| Basic (KZT) | 13 | 203.57 | 504.41 | 339.05 | 566.36 |
| Diluted (KZT) | 13 | 203.58 | 504.41 | 339.07 | 566.27 |

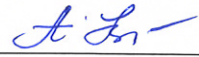
These consolidated interim condensed financial statements as set out on pages 5 to 59 were approved by the Management Board of the Bank on 27 September 2023 and were signed on its behalf by:


R.V. Vladimirov
President

27 September 2023
Almaty, Kazakhstan


A.S. Ovsyannikova
Vice President,
Member of the Management Board

27 September 2023
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

27 September 2023
Almaty, Kazakhstan

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.


JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

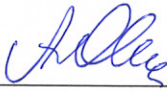
(in millions of Kazakhstani tenge, except for earnings per share which is expressed in tenge)

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|--|--|--|--|
| PROFIT FOR THE PERIOD | 37,659 | 91,983 | 62,699 | 103,292 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | |
| Net gain resulting on revaluation of investment securities during the period (net of tax) | (196) | 400 | 3,592 | (10,720) |
| Reclassification adjustment relating to investment securities disposed of during the period (net of tax – KZT nil) | (440) | (392) | (617) | (299) |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i> | <i>(636)</i> | <i>8</i> | <i>2,975</i> | <i>(11,019)</i> |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX | (636) | 8 | 2,975 | (11,019) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 37,023 | 91,991 | 65,674 | 92,273 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Bank | 36,971 | 91,991 | 65,622 | 92,273 |
| Non-controlling interests | 52 | - | 52 | - |

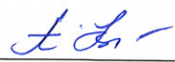
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27 September 2023
Almaty, Kazakhstan


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Member of the Management Board

27 September 2023
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

27 September 2023
Almaty, Kazakhstan

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.


JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

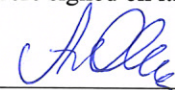
(in millions of Kazakhstani tenge, unless otherwise stated)

| | Note | 30 June 2023 (unaudited) | 31 December 2022 |
|--|------|-----------------------------|------------------|
| ASSETS: | | | |
| Cash and cash equivalents | 14 | 1,072,679 | 1,117,220 |
| Financial instruments at fair value through profit or loss | | | |
| <i>Held by the Group</i> | 15 | 34,841 | 27,580 |
| <i>Pledged under sale and repurchase agreement</i> | 15 | 6,641 | 8,388 |
| <i>Currency swaps</i> | 15 | 1,891 | - |
| Investment securities | | | |
| <i>Held by the Group</i> | 16 | 678,501 | 837,101 |
| <i>Pledged under loans from banks</i> | 16 | 74,873 | 76,318 |
| Due from banks | 17 | 68,512 | 54,536 |
| Loans to customers and banks | | | |
| <i>Loans to corporate customers</i> | 18 | 749,738 | 731,754 |
| <i>Loans to retail customers</i> | 18 | 1,605,417 | 1,277,359 |
| Current income tax assets | | - | 525 |
| Property and equipment and intangible assets | | 64,974 | 65,163 |
| Other assets | 19 | 153,207 | 128,022 |
| TOTAL ASSETS | | 4,511,274 | 4,323,966 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Due to banks and financial institutions | 20 | 142,337 | 158,524 |
| Customer accounts | | | |
| <i>Due to corporate customers</i> | 21 | 1,450,006 | 1,357,726 |
| <i>Due to retail customers</i> | 21 | 1,921,626 | 1,915,418 |
| Debt securities issued | 22 | 77,413 | 96,183 |
| Current income tax liabilities | | 1,946 | - |
| Deferred income tax liabilities | | 11,997 | 11,620 |
| Subordinated bonds | 23 | 62,393 | 60,405 |
| Other liabilities | 24 | 504,058 | 450,239 |
| TOTAL LIABILITIES | | 4,171,776 | 4,050,115 |
| EQUITY: | | | |
| Equity attributable to owners of the Parent Bank: | | | |
| Share capital | 25 | 63,170 | 63,676 |
| Fair value reserve for securities | | (20,346) | (23,321) |
| Property revaluation reserve | | 2,031 | 2,127 |
| Retained earnings | | 294,112 | 231,369 |
| Total equity attributable to the equity holders of the Bank | | 338,967 | 273,851 |
| Non-controlling interests | | 531 | - |
| Total equity | | 339,498 | 273,851 |
| TOTAL LIABILITIES AND EQUITY | | 4,511,274 | 4,323,966 |
| Book value per ordinary share (KZT) | 13 | 1,759 | 1,397 |
| Book value per preference share (KZT) | 13 | 95 | 232 |

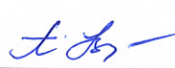
These consolidated interim condensed financial statements as set out on pages 5 to 59 were approved by the Management Board of the Bank on 27 September 2023 and were signed on its behalf by:


R.V. Vladimirov
President

27 September 2023
Almaty, Kazakhstan


A.S. Ovsyannikova
Vice President,
Member of the Management Board

27 September 2023
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

27 September 2023
Almaty, Kazakhstan

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

| | Share capital | Fair value reserve | Revaluation of property and equipment | Retained earnings | Total equity attributable to the equity holders of the Bank | Non-controlling interests | Total equity |
|--|---------------|--------------------|---------------------------------------|-------------------|---|---------------------------|----------------|
| Balance at 1 January 2022 | 63,554 | (1,109) | 3,455 | 84,912 | 150,812 | - | 150,812 |
| Total comprehensive income | | | | | | | |
| Profit for the period (unaudited) | - | - | - | 103,292 | 103,292 | - | 103,292 |
| Other comprehensive income | | | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Net change in fair value (unaudited) | - | (11,019) | - | - | (11,019) | - | (11,019) |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i> | - | (11,019) | - | - | (11,019) | - | (11,019) |
| Total other comprehensive income (unaudited) | - | (11,019) | - | - | (11,019) | - | (11,019) |
| Total comprehensive income for the year (unaudited) | - | (11,019) | - | 103,292 | 92,273 | - | 92,273 |
| Other movements in equity | | | | | | | |
| Transfer of the amount from revaluation resulting from depreciation and disposal (unaudited) | - | - | (11) | 11 | - | - | - |
| Total other movements in equity (unaudited) | - | - | (11) | 11 | - | - | - |
| Transactions with owners recorded directly in equity | | | | | | | |
| Treasury shares purchased (Note 25) (unaudited) | 298 | - | - | - | 298 | - | 298 |
| Total transactions with owners (unaudited) | 298 | - | - | - | 298 | - | 298 |
| Balance at 30 June 2022 (unaudited) | 63,852 | (12,128) | 3,444 | 188,215 | 243,383 | - | 243,383 |

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

| | Share capital | Fair value reserve | Revaluation of property and equipment | Retained earnings | Total equity attributable to the equity holders of the Bank | Non-controlling interests | Total equity |
|--|---------------|--------------------|---------------------------------------|-------------------|---|---------------------------|----------------|
| Balance at 1 January 2023 | 63,676 | (23,321) | 2,127 | 231,369 | 273,851 | - | 273,851 |
| Total comprehensive income | | | | | | | |
| Profit for the period (unaudited) | - | - | - | 62,647 | 62,647 | 52 | 62,699 |
| Other comprehensive income | | | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Net change in fair value (unaudited) | - | 2,975 | - | - | 2,975 | - | 2,975 |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i> | - | 2,975 | - | - | 2,975 | - | 2,975 |
| Total other comprehensive income (unaudited) | - | 2,975 | - | - | 2,975 | - | 2,975 |
| Total comprehensive income for the year (unaudited) | - | 2,975 | - | 62,647 | 65,622 | 52 | 65,674 |
| Other movements in equity | | | | | | | |
| Transfer of the amount from revaluation resulting from depreciation and disposal (unaudited) | - | - | (96) | 96 | - | - | - |
| Total other movements in equity (unaudited) | - | - | (96) | 96 | - | - | - |
| Transactions with owners recorded directly in equity | | | | | | | |
| Non-controlling interest from acquisition of the subsidiary (Note 4) (unaudited) | - | - | - | - | - | 479 | 479 |
| Treasury shares purchased (Note 25) (unaudited) | (506) | - | - | - | (506) | - | (506) |
| Total transactions with owners (unaudited) | (506) | - | - | - | (506) | 479 | (27) |
| Balance at 30 June 2023 (unaudited) | 63,170 | (20,346) | 2,031 | 294,112 | 338,967 | 531 | 339,498 |

These consolidated interim condensed financial statements as set out on pages 5 to 59 were approved by the Management Board of the Bank on 27 September 2023 and were signed on its behalf by:

R.V. Vladimirov
President

27 September 2023
Almaty, Kazakhstan

A.S. Ovsyannikova
Vice President,
Member of the Management Board

27 September 2023
Almaty, Kazakhstan

A.T. Nurgaliyeva
Chief Accountant

27 September 2023
Almaty, Kazakhstan

Explanatory notes as set out on pages 13 to 59 form an integral part of these consolidated interim condensed financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

| | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Interest received | 228,383 | 90,892 |
| Interest paid | (119,231) | (49,471) |
| Services fee and commission received | 38,843 | 16,969 |
| Services fee and commission paid | (17,276) | (7,187) |
| Net proceeds from/(payments on) derivative instrument transactions | 2,762 | (12,353) |
| Net foreign exchange gain | 18,035 | 17,598 |
| Other expenses payments | (512) | (491) |
| Operating expenses paid | (48,508) | (27,626) |
| Cash flow from operating activities before changes in operating assets and liabilities | 102,496 | 28,331 |
| Change in operating assets: | | |
| Financial instruments at fair value through profit or loss | (4,542) | (2,909) |
| Due from banks | (16,495) | (5,008) |
| Loans to customers and banks | (342,662) | (244,487) |
| Other assets | (10,654) | (19,685) |
| Change in operating liabilities: | | |
| Due to banks and financial institutions | (14,255) | 43,917 |
| Customer accounts | 120,350 | 688,431 |
| Other liabilities | 963 | 4,255 |
| Cash flows (used in)/from operating activities before tax | (164,799) | 492,845 |
| Income tax paid | (3,049) | (939) |
| Net cash flows (used in)/from operating activities | (167,848) | 491,906 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash and cash equivalents acquired due to a business combination | 1,758 | 38,408 |
| Acquisition of a subsidiary | (3,982) | (50,000) |
| Proceeds from repayment and sale of investment securities | 2,654,200 | 759,200 |
| Acquisition of investment securities | (2,487,968) | (769,202) |
| Acquisition of property and equipment and intangible assets | (4,990) | (3,770) |
| Proceeds from sale of property and equipment | 311 | - |
| Net cash flows from/(used in) investing activities | 159,329 | (25,364) |

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JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023

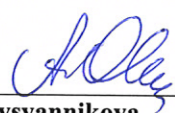
(in millions of Kazakhstani tenge, unless otherwise stated)

| | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|--|--|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| (Purchase of treasury shares)/proceeds from treasury shares issued, net | (506) | 298 |
| Repurchase and repayment of debt securities issued | (21,853) | (28,226) |
| Repayment of lease liabilities | (163) | - |
| Net cash flows used in financing activities | (22,522) | (27,928) |
| Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents | (13,500) | 16,921 |
| NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS | (44,541) | 455,535 |
| CASH AND CASH EQUIVALENTS, the beginning of the period | 1,117,220 | 261,492 |
| CASH AND CASH EQUIVALENTS, the end of the period (Note 14) | 1,072,679 | 717,027 |

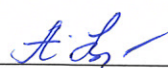
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President

27 September 2023
Almaty, Kazakhstan


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Member of the Management Board

27 September 2023
Almaty, Kazakhstan


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27 September 2023
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JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

1. INTRODUCTION

(a) Principal activity

JSC Bank CenterCredit (the “Bank”) is a Joint Stock Company, which has been incorporated and carrying out its operations in the Republic of Kazakhstan since 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the “ARDFM”) is a regulatory authority of the Bank. The Bank conducts its business under the licence No. 1.2.25/195/34, renewed on 3 February 2020.

The Bank's principal activity consists of commercial banking activities, trading in securities, foreign currencies and derivative instruments, loan origination activities and issuing guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (the “KDIF”).

The registered address is 38, Al Farabi Ave., Almaty, Republic of Kazakhstan.

As at 30 June 2023 and 31 December 2022, the Bank had 20 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (the “Group”), which consists of the following subsidiaries consolidated in its consolidated financial statements:

| Name | Country of operation | Ownership interest | | Activity |
|--|------------------------|--------------------|------------------|---|
| | | 30 June 2023 | 31 December 2022 | |
| Center Project LLP (formerly the “LLP BCC-SAOO”) | Republic of Kazakhstan | 100% | 100% | Management of distressed assets |
| JSC BCC Invest | Republic of Kazakhstan | 100% | 100% | Brokerage and dealer activity |
| LLP Center Leasing | Republic of Kazakhstan | 100% | 100% | Finance lease and other types of activity |
| JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”) | Republic of Kazakhstan | 90.1% | - | Insurance business |

As at 30 June 2023 and 31 December 2022, the number of ordinary shares was allocated as follows:

| | 30 June 2023 | 31 December 2022 |
|--|---------------|------------------|
| | % | % |
| B.R. Baiseitov | 48.94 | 49.04 |
| V.S. Lee | 11.27 | 11.29 |
| Other (individually hold less than 5%) | 39.79 | 39.67 |
| | 100.00 | 100.00 |

The consolidated interim condensed financial statements were authorised for issue by the Management Board of JSC Bank CenterCredit on 27 September 2023.

Acquisitions of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”)

As at 31 December 2022, the Group owned 9.5% of shares of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”) that were recorded in ‘Investment securities at fair value through other comprehensive income’ in the consolidated statement of financial position.

In May 2023, the Group acquired an additional shareholding of ordinary voting shares of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”), and as a result, the Group’s equity interest in the insurance company increased to 90.1% as of the acquisition date. For more information, see *Note 4*.

Acquisition of JSC Eco Center Bank (former the “SB Alfa-Bank JSC”)

On 5 May 2022, the Group acquired 100% of ordinary shares of SB Alfa-Bank JSC. For more information, see *Note 4*.

On 13 May 2022, the state re-registration of a legal entity was carried out, and the name of SB Alfa-Bank JSC was changed to JSC Eco Center Bank.

On 5 September 2022, in accordance with a deed of transfer, rights and obligations were transferred as a result of the reorganisation effected in the form of a merger of JSC Eco Center Bank and JSC Bank CenterCredit.

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

1. INTRODUCTION, CONTINUED

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstani tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment. The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2022.

These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and at fair value through other comprehensive income are stated at fair value and buildings and constructions are measured at fair value, which increase is stated in the property and plant revaluation reserve.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in KZT is rounded to the nearest million.

(d) Use of estimates and judgements

In preparing these consolidated interim condensed financial statements, management has made judgement, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expense. 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.

Judgements, assumptions and estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those that applied to the last annual consolidated financial statements, except for the significant judgements, estimates and assumptions included in following notes:

- estimates of the fair value of identifiable assets and liabilities of JSC "Insurance Company "Sinoasia B&R" ("Sinoasia B&R") and JSC Eco Center Bank at the date of acquisition – Note 4;

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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2. BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgements, continued

Judgements, assumptions and estimation uncertainty, continued

- estimates of impairment of loans to customers – Note 18;
- estimates of fair value of foreclosed collateral – Note 19;
- estimates of fair value of financial assets and liabilities for disclosure purposes – Note 32.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated condensed interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2022.

The following amended standards and interpretations that have become effective and are currently applicable to the Group's activities or may be applied thereto in future are as follows:

New standards, interpretations and amendments to standards that have been adopted by the Group from 1 January 2023

The amended standards that became effective for the Group from 1 January 2023, but they had no material effect on the Group's consolidated interim condensed financial statements, are listed below:

- *IFRS 17 Insurance Contracts.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).*

New standards, interpretations and amendments to standards issued but not yet effective

A number of new standards and amendments to standards and interpretations as issued by the IASB will become effective for 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 be effective from 1 January 2024.
- *Non-current Liabilities with Covenants (Amendments to IAS 1)* will be effective from 1 January 2024.
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* will be effective from 1 January 2024.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated interim condensed financial statements.

4. BUSINESS COMBINATION

Acquisitions of JSC "Insurance Company "Sinoasia B&R" ("Sinoasia B&R")

On 20 February 2023, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the "ARDFM") issued a permit to JSC Bank CenterCredit for acquiring the status of an insurance holding for JSC "Insurance Company "Sinoasia B&R" ("Sinoasia B&R").

Moreover, the Board of the ARDFM has adopted a Resolution No. 6 dated 20 February 2023 On issuing to Joint Stock Company "Bank CenterCredit" a permission to acquire a subsidiary – Joint Stock Company "Insurance Company "Sinoasia B&R" (the "Sinoasia B&R").

As at 31 December 2022, the Group owned 9.5% of shares of Sinoasia B&R that were recorded in 'Investment securities at fair value through other comprehensive income' in the consolidated statement of financial position. In May 2023, the Group acquired an additional shareholding of ordinary voting shares of Sinoasia B&R, and as a result, the Group's equity interest in the insurance company increased to 90.1% as of the acquisition date.

JSC "Insurance Company "Sinoasia B&R" ("Sinoasia B&R") provides services covering all classes of insurance.

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(in millions of Kazakhstani tenge, unless otherwise stated)

4. BUSINESS COMBINATION, CONTINUED

Acquisitions of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”), continued

The acquisition of ordinary voting shares of the insurance company will enable the Group to create synergies between banking or insurance business, expand a range of property and health insurance products, and improve the performance of both the Bank and Sinoasia B&R, providing products and services combined into innovative offerings.

Identifiable assets acquired and liabilities assumed

Fair values of the identifiable assets and liabilities acquired, as well as the bargain purchase gain arising from the acquisition of Sinoasia B&R on 5 May 2023, were as follows:

| <i>Fair value of Sinoasia B&R as at the acquisition date</i> | <i>At 5 May 2023 (unaudited)</i> |
|--|--------------------------------------|
| Assets | |
| Cash and cash equivalents | 1,758 |
| Investments at fair value through other comprehensive income | 6,052 |
| Reverse repurchase agreements | 6,626 |
| Current year tax liability | 88 |
| Property and equipment and intangible assets | 71 |
| Other assets | 2,606 |
| Total assets | 17,201 |
| Liabilities | |
| Other liabilities | 12,364 |
| Total liabilities | 12,364 |
| Net identifiable assets | 4,837 |

Goodwill

Goodwill recognised as a result of the acquisition of a controlling interest in Sinoasia B& was calculated as follows:

| | (Unaudited) |
|--|--------------------|
| Fair value of investments for the acquisition of 80.6% of shares of the subsidiary | 3,982 |
| Fair value of the pre-existing interest in the subsidiary (9.5%) | 1,324 |
| Fair value of the non-controlling interest (9.9%) | 479 |
| | 5,785 |
| Fair value of identifiable net assets | 4,837 |
| Goodwill | 948 |

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

| Assets acquired | Valuation technique |
|--|--|
| Investments at fair value through other comprehensive income | The valuation model considers quoted market prices (unadjusted) in an active market for an identical instrument, and valuation techniques and inputs based on market data that are observable either directly or indirectly. |
| Reverse repurchase agreements | The valuation model considers quoted market prices (unadjusted) in an active market for an identical instrument, and valuation techniques and inputs based on market data that are observable either directly or indirectly. |

The valuation techniques and assumptions used for measuring the fair value of the Group’s financial instruments at the acquisition date were substantially consistent with the fair value valuation techniques described in Note 32.

From the date of acquisition to 30 June 2023, JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”) contributed other revenue of KZT 2,261 million and profit of KZT 223 million, respectively (unaudited).

If an acquisition of business had occurred on 1 January 2023, management estimates that consolidated other revenue for the six months ended 30 June 2023, would have been KZT 6,202 million (unaudited), and consolidated profit for the six months ended 30 June 2023 would have been KZT 63,422 million (unaudited). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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4. BUSINESS COMBINATION, CONTINUED

Acquisition of JSC Eco Center Bank (former the “SB Alfa-Bank JSC”)

On 27 April 2022, the Group and the shareholder of SB Alfa-Bank JSC entered into an agreement for the sale and purchase of shares of SB Alfa-Bank JSC. On 5 May 2022, the Group took control over SB Alfa-Bank JSC through the purchase of 100% of ordinary shares, after approval by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the “ARDFM”).

On 13 May, SB Alfa-Bank JSC was officially renamed JSC Eco Center Bank (SB of JSC Bank CenterCredit).

JSC Eco Center Bank provided retail and corporate banking services in the Republic of Kazakhstan, accepted deposits from the public, extended loans, made wire transfers within Kazakhstan and abroad, carried out exchange transactions and provided other banking services to corporate and retail customers.

Taking control over of JSC Eco Center Bank will allow the Group to streamline its operations thus enabling to increase a market share, and to reduce costs through economies of scale.

Identifiable assets acquired and liabilities assumed

Fair values of the identifiable assets and liabilities acquired, as well as the bargain purchase gain arising from the acquisition of JSC Eco Center Bank on 5 May 2022, were as follows:

| <i>Fair value of JSC Eco Center Bank as at the acquisition date</i> | <i>At 5 May 2022</i> |
|---|----------------------|
| Assets | |
| Cash and cash equivalents | 38,408 |
| Loans to banks | 4,271 |
| Loans to customers | 202,373 |
| Current year tax liability | 763 |
| Property and equipment and intangible assets | 23,435 |
| Other assets | 12,416 |
| Non-current assets held for sale | 1,243 |
| Total assets | 282,909 |
| Liabilities | |
| Due to banks and financial institutions | 399 |
| Customer accounts | 130,716 |
| Debt securities issued | 4,511 |
| Other liabilities | 13,061 |
| Total liabilities | 148,687 |
| Net identifiable assets | 134,222 |

Bargain purchase gain

Bargain purchase gain recognised as a result of acquisition of a controlling interest in JSC Eco Center Bank was calculated as follows:

| | |
|---------------------------------------|---------------|
| Fair value of net identifiable assets | 134,222 |
| Investments to acquire a subsidiary | 50,000 |
| Total bargain purchase gain | 84,222 |

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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4. BUSINESS COMBINATION, CONTINUED

Acquisition of JSC Eco Center Bank (former the “JSC SB Alfa-Bank”), continued

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

| Assets acquired | Valuation technique |
|---|---|
| Loans to customers | <i>Discounted cash flows:</i> As part of measurement of fair value of loan portfolio, the portfolio has been segmented by type of borrowers, loan status, loan type, collateral type, and lending product. Interest rates of the issued performing loans have been analysed for their compliance with the market rates. The fair value of loans to customers was estimated using the pre-maturity discounting method based on market borrowing rates. JSC Bank CenterCredit’s weighted average rates for issuing loans were used as market rates, compared with the NBRK data. The fair value of loans to customers categorised into Stage 3 of credit risk grading has been measured as gross carrying amount less charged allowance for expected credit losses calculated using a discount rate adjusted for credit risk. |
| Property and equipment and collateral in ‘other assets’ | <i>Market comparison technique and income approach:</i> The valuation model uses inputs based on quoted market prices for similar items, considering the following criteria: location, square area, utility service connection, intended use. For the valuation purpose, the selected comparable items were adjusted to take account of a trade discount. For the purpose of valuating buildings and structures, management used a capitalisation method as part of the income approach. |

The valuation techniques used for measuring the fair value of material liabilities assumed were as follows.

| Liabilities assumed | Valuation technique |
|---|---|
| Debt securities issued | <i>Discounted cash flows:</i> The valuation model considers the present value of expected future cash flows estimated according to the Issue Prospectus terms. A discount rate was based on the KZT yield curve, taking account of a credit spread. |
| Customer accounts | Analysis of weighted average interest rates on deposit sub-portfolios as to their matching the market rates. No material adjustments were made to the carrying amount of customer accounts. |
| Amounts due from banks and other financial institutions | <i>Discounted cash flows:</i> The fair value of amounts due from banks and other financial institutions was estimated discounting cash flows (according to the repayment schedules) by individual contracts. A discount rate was based on the KZT yield curve, taking account of a credit spread. |

The valuation techniques and assumptions used for measuring the fair value of the Group’s financial instruments at the acquisition date were substantially consistent with the fair value valuation techniques described in Note 32.

From the date of acquisition to 31 December 2022, JSC Eco Center Bank contributed interest income of KZT 10,784 million and profit of KZT 645 million, respectively.

If an acquisition of business had occurred on 1 January 2022, management estimates that consolidated net interest income would have been KZT 157,792 million, and consolidated profit for the year would have been KZT 155,165 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The respective gross contractual amounts and related amounts expected to be uncollectable at the acquisition date are as follows:

- Loans to customers - KZT 220,991 million and KZT 18,618 million.

5. FINANCIAL RISK REVIEW

This note presents information about the Group’s exposure to financial risks. For information on the Group’s financial risk management framework, see Note 28 in the Group’s consolidated financial statements for the year ended 31 December 2022.

Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost, and investment securities measured at fair value through other comprehensive income as at 30 June 2023 the 31 December 2022. Unless otherwise indicated, the amounts of financial assets in the table below are gross carrying amounts.

JOINT STOCK COMPANY BANK CENTERCREDIT

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(in millions of Kazakhstani tenge, unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

| | 30 June 2023 (unaudited) | | | Total |
|--|--------------------------|--|--|----------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL of assets not credit- impaired | Stage 3 Lifetime ECL for credit-impaired assets | |
| <i>Cash and cash equivalents</i> | | | | |
| - rated from AA- to AA+ | 20,367 | - | - | 20,367 |
| - rated from A- to A+ | 73,253 | - | - | 73,253 |
| - rated from BBB- to BBB+ | 792,407 | - | - | 792,407 |
| - rated from BB- to BB+ | 772 | - | - | 772 |
| - rated from B- to B+ | 10 | - | - | 10 |
| - not rated | 8,627 | - | - | 8,627 |
| | 895,436 | - | - | 895,436 |
| Loss allowance | (68) | - | - | (68) |
| Total cash and cash equivalents (less cash on hand) | 895,368 | - | - | 895,368 |
| <i>Investment securities measured at amortised cost</i> | | | | |
| - rated from AAA- to AAA+ | 37,551 | - | - | 37,551 |
| - rated from BBB- to BBB+ | 102,610 | - | - | 102,610 |
| - rated from BB- to BB+ | 1,280 | - | - | 1,280 |
| - rated B | 4,633 | - | - | 4,633 |
| | 146,074 | - | - | 146,074 |
| Loss allowance | (24) | - | - | (24) |
| Total investment securities measured at amortised cost | 146,050 | - | - | 146,050 |
| <i>Investment securities measured at fair value through other comprehensive income - debt</i> | | | | |
| - rated from AAA- | 29,192 | - | - | 29,192 |
| - rated from AA- to AA+ | 1,111 | - | - | 1,111 |
| - rated from A- to A+ | 1,856 | - | - | 1,856 |
| - rated from BBB- to BBB+ | 550,209 | - | - | 550,209 |
| - rated from BB- to BB+ | 18,986 | - | - | 18,986 |
| - not rated | - | 5,807 | - | 5,807 |
| Total investment securities measured at fair value through other comprehensive income - debt | 601,354 | 5,807 | - | 607,161 |
| Loss allowance | - | - | - | - |
| Gross carrying amount of investment securities measured at fair value through other comprehensive income – debt | 601,354 | 5,807 | - | 607,161 |
| <i>Due from banks</i> | | | | |
| - rated from AA- to AA+ | 21,904 | - | - | 21,904 |
| - rated from A- to A+ | 914 | - | - | 914 |
| - rated from BBB- to BBB+ | 1,616 | - | - | 1,616 |
| - not rated | 44,110 | - | - | 44,110 |
| | 68,544 | - | - | 68,544 |
| Loss allowance | (32) | - | - | (32) |
| Total due from banks | 68,512 | - | - | 68,512 |

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

| | 30 June 2023 (unaudited) | | | | Total |
|---|----------------------------|--|--|---|------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL of assets not credit- impaired | Stage 3 Lifetime ECL for credit-impaired assets | Originated credit-impaired financial assets (POCI- assets) | |
| Loans to customers at amortised cost – corporate customers | | | | | |
| Not overdue loans | 600,130 | 86,443 | 48,888 | 2,292 | 737,753 |
| Overdue loans: | | | | | |
| - overdue less than 30 days | 9,923 | 5,068 | 17,950 | - | 32,941 |
| - overdue 31-60 days | - | 1,166 | 3 | 11 | 1,180 |
| - overdue 61-90 days | - | 268 | 114 | - | 382 |
| - overdue 91-180 days | - | - | 1,519 | - | 1,519 |
| - overdue more than 180 days | - | - | 19,186 | 182 | 19,368 |
| | 610,053 | 92,945 | 87,660 | 2,485 | 793,143 |
| Loss allowance | (6,814) | (15,021) | (59,153) | - | (80,988) |
| Total loans to customers at amortised cost – corporate customers | 603,239 | 77,924 | 28,507 | 2,485 | 712,155 |
| Loans to customers at amortised cost – retail customers | | | | | |
| Not overdue loans | 1,566,853 | 3,207 | 2,498 | 644 | 1,573,202 |
| Overdue loans: | | | | | |
| - overdue less than 30 days | 25,627 | 894 | 898 | 88 | 27,507 |
| - overdue 31-60 days | - | 5,687 | 610 | 19 | 6,316 |
| - overdue 61-90 days | - | 3,398 | 457 | 18 | 3,873 |
| - overdue 91-180 days | - | - | 7,723 | 48 | 7,771 |
| - overdue more than 180 days | - | - | 25,200 | 123 | 25,323 |
| | 1,592,480 | 13,186 | 37,386 | 940 | 1,643,992 |
| Loss allowance | (14,398) | (3,158) | (21,019) | - | (38,575) |
| Total loans to customers at amortised cost – retail customers | 1,578,082 | 10,028 | 16,367 | 940 | 1,605,417 |
| Loans under reverse repurchase agreements | | | | | |
| Reverse repo agreements, not overdue | 12,416 | - | - | - | 12,416 |
| Loss allowance | - | - | - | - | - |
| Total loans under reverse repurchase agreements | 12,416 | - | - | - | 12,416 |

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NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

| | 31 December 2022 | | | Total |
|---|-------------------------|---|--|----------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL for assets not credit- impaired | Stage 3 Lifetime ECL for credit-impaired assets | |
| <i>Cash and cash equivalents</i> | | | | |
| - rated from AA- to AA+ | 17,609 | - | - | 17,609 |
| - rated from A- to A+ | 39,792 | - | - | 39,792 |
| - rated from BBB- to BBB+ | 904,346 | - | - | 904,346 |
| - rated from BB- to BB+ | 950 | - | - | 950 |
| - rated from B- to B+ | 94 | - | - | 94 |
| - not rated | 15,965 | - | - | 15,965 |
| | 978,756 | - | - | 978,756 |
| Loss allowance | (63) | - | - | (63) |
| Total cash and cash equivalents (less cash on hand) | 978,693 | - | - | 978,693 |
| <i>Investment securities measured at amortised cost</i> | | | | |
| - rated from AAA | 38,315 | - | - | 38,315 |
| - rated from BBB- to BBB+ | 185,371 | - | - | 185,371 |
| | 223,686 | - | - | 223,686 |
| Loss allowance | (7) | - | - | (7) |
| Total investment securities measured at amortised cost | 223,679 | - | - | 223,679 |
| <i>Investment securities measured at fair value through other comprehensive income – debt</i> | | | | |
| - rated from AAA | 31,580 | - | - | 31,580 |
| - rated from BBB- to BBB+ | 640,336 | - | - | 640,336 |
| - rated from BB- to BB+ | 4,051 | - | - | 4,051 |
| - rated from B- to B+ | - | 12,474 | - | 12,474 |
| | 675,967 | 12,474 | - | 688,441 |
| Loss allowance | - | (189) | - | (189) |
| Gross carrying amount of investment securities measured at fair value through other comprehensive income– debt | 696,288 | 15,285 | - | 711,573 |
| <i>Due from banks</i> | | | | |
| - rated from AA- to AA+ | 18,562 | - | - | 18,562 |
| - rated from A- to A+ | 6,575 | - | - | 6,575 |
| - rated from BBB- to BBB+ | 2,173 | - | - | 2,173 |
| - not rated | 27,236 | - | - | 27,236 |
| | 54,546 | - | - | 54,546 |
| Loss allowance | (10) | - | - | (10) |
| Total due from banks | 54,536 | - | - | 54,536 |

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Measurement of ECL, continued

| | 31 December 2022 | | | | Total |
|---|----------------------------|--|---|--|------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL for assets not credit-impaired | Stage 3 Lifetime ECL for credit- impaired assets | Originated credit-impaired financial assets (POCI-assets) | |
| Loans to customers at amortised cost – corporate customers | | | | | |
| Not overdue loans | 538,342 | 70,946 | 63,867 | 3,409 | 676,564 |
| Overdue loans: | | | | | |
| - overdue less than 30 days | 2,350 | 102 | 8,092 | 88 | 10,632 |
| - overdue 31-60 days | - | 1,711 | 890 | - | 2,601 |
| - overdue 61-90 days | - | 353 | 5 | 14 | 372 |
| - overdue 91-180 days | - | - | 2,513 | 4 | 2,517 |
| - overdue more than 180 days | - | - | 23,602 | 607 | 24,209 |
| | 540,692 | 73,112 | 98,969 | 4,122 | 716,895 |
| Loss allowance | (3,364) | (9,812) | (59,660) | (49) | (72,885) |
| Total loans to customers at amortised cost – corporate customers | 537,328 | 63,300 | 39,309 | 4,073 | 644,010 |
| Loans to customers at amortised cost – retail customers | | | | | |
| Not overdue loans | 1,242,603 | 3,971 | 2,173 | 826 | 1,249,573 |
| Overdue loans: | | | | | |
| - overdue less than 30 days | 14,713 | 1,028 | 506 | 91 | 16,338 |
| - overdue 31-60 days | - | 4,558 | 402 | 28 | 4,988 |
| - overdue 61-90 days | - | 3,169 | 560 | 28 | 3,757 |
| - overdue 91-180 days | - | - | 9,576 | 160 | 9,736 |
| - overdue more than 180 days | - | - | 31,631 | 432 | 32,063 |
| | 1,257,316 | 12,726 | 44,848 | 1,565 | 1,316,455 |
| Loss allowance | (10,548) | (2,914) | (25,254) | (380) | (39,096) |
| Total loans to customers at amortised cost – retail customers | 1,246,768 | 9,812 | 19,594 | 1,185 | 1,277,359 |
| Loans under reverse repurchase agreements | | | | | |
| Reverse repo agreements, not overdue | 74,020 | - | - | - | 74,020 |
| Loss allowance | - | - | - | - | - |
| Total loans under reverse repurchase agreements | 74,020 | - | - | - | 74,020 |

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NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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6. NET INTEREST INCOME

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|--|--|
| Interest income | | | | |
| Interest income on financial assets measured at amortised cost: | | | | |
| - interest income on financial assets not credit-impaired | 104,881 | 52,028 | 201,102 | 85,154 |
| - interest income on credit-impaired financial assets | 1,078 | 1,330 | 2,330 | 2,331 |
| Interest income on financial assets measured at fair value through other comprehensive income | 16,364 | 7,356 | 34,092 | 16,664 |
| Total interest income | 122,323 | 60,714 | 237,524 | 104,149 |
| Interest income on financial assets measured at amortised cost comprises: | | | | |
| Interest on loans to customers and banks | 90,165 | 48,665 | 165,119 | 81,337 |
| Interest on investment securities measured at amortised cost | 6,392 | 1,646 | 18,177 | 1,503 |
| Interest on due from banks | 9,402 | 3,047 | 20,136 | 4,645 |
| Total interest income on financial assets measured at amortised cost | 105,959 | 53,358 | 203,432 | 87,485 |
| Interest income on financial assets at fair value through profit or loss and investments in net finance lease | 789 | 738 | 1,600 | 1,486 |
| Total interest income | 123,112 | 61,452 | 239,124 | 105,635 |
| Interest expense: | | | | |
| Interest expense on financial liabilities measured at amortised cost | (61,742) | (31,588) | (125,804) | (55,381) |
| Total interest expense | (61,742) | (31,588) | (125,804) | (55,381) |
| Interest expense on financial liabilities measured at amortised cost: | | | | |
| Interest on customer accounts | (51,851) | (23,751) | (105,488) | (38,482) |
| Interest expense on payments to mortgage organisation | (3,155) | (1,832) | (6,291) | (4,978) |
| Interest on debt securities issued | (2,262) | (2,073) | (4,857) | (4,714) |
| Interest on due to banks and financial institutions | (2,480) | (1,907) | (5,242) | (3,287) |
| Interest on subordinated bonds | (1,889) | (1,947) | (3,711) | (3,842) |
| Lease liabilities | (105) | (78) | (215) | (78) |
| Total interest expense on financial liabilities measured at amortised cost | (61,742) | (31,588) | (125,804) | (55,381) |
| Net interest income before impairment allowance for financial assets | 61,370 | 29,864 | 113,320 | 50,254 |

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7. CHARGE OF EXPECTED CREDIT LOSS ALLOWANCE FOR INTEREST BEARING ASSETS

| The three months ended | Corporate | Small and | Mortgage | Consumer | Business | Car | Loans to banks | Total loans to |
|--|---------------|---------------|---------------|---------------|--------------|--------------|----------------|----------------|
| 30 June 2022 and 2023 | loans | medium-sized | loans | loans | development | loans | | customers and |
| 1 April 2022 (unaudited) | 49,875 | 13,374 | 6,094 | 13,621 | 6,842 | 656 | - | 90,462 |
| (Reversal)/charge of allowance* (unaudited) | 4,472 | 876 | 252 | 4,124 | 162 | (429) | (2) | 9,455 |
| New financial assets originated or purchased*(unaudited) | 815 | 1,107 | - | 1,110 | 231 | 99 | 56 | 3,418 |
| Effect of unwinding of discount** (unaudited) | 672 | 174 | 1 | 116 | 36 | 1 | - | 1,000 |
| Write-off of assets (unaudited) | (629) | (1,807) | (2,176) | (2,759) | (509) | (50) | - | (7,930) |
| Recovery of assets previously written-off (unaudited) | - | 46 | 191 | 63 | 40 | 54 | - | 394 |
| Foreign exchange difference (unaudited) | (324) | (344) | (85) | (271) | (218) | (22) | - | (1,264) |
| 30 June 2022 (unaudited) | 54,881 | 13,426 | 4,277 | 16,004 | 6,584 | 309 | 54 | 95,535 |
| 1 April 2023 (unaudited) | 60,944 | 14,726 | 9,696 | 18,425 | 6,518 | 211 | 573 | 111,093 |
| (Reversal)/charge of allowance* (unaudited) | (52) | 503 | 333 | 1,654 | 184 | 1,183 | 8 | 3,813 |
| New financial assets originated or purchased*(unaudited) | 1,941 | 1,018 | 165 | 999 | 761 | 257 | - | 5,141 |
| Effect of unwinding of discount**(unaudited) | 1,193 | 93 | 16 | 379 | 68 | 2 | - | 1,751 |
| Write-off of assets (unaudited) | (428) | (839) | (493) | (3,458) | (86) | (20) | - | (5,324) |
| Recovery of assets previously written-off (unaudited) | - | - | 237 | 508 | 8 | 19 | - | 772 |
| Foreign exchange difference (unaudited) | 1,503 | 386 | 252 | 561 | 176 | 20 | 15 | 2,913 |
| 30 June 2023 (unaudited) | 65,101 | 15,887 | 10,206 | 19,068 | 7,629 | 1,672 | 596 | 120,159 |

*Provisions recognised during the three months ended 30 June 2023 and 2022 are presented in the consolidated interim condensed statement of profit and loss in the 'Charge of credit loss allowance on loans to customers and banks' line item.

**Unwinding of discount on present value of expected credit losses.

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7. CHARGE OF EXPECTED CREDIT LOSS ALLOWANCE FOR INTEREST BEARING ASSETS, CONTINUED

| The six months ended | Corporate loans | Small and medium-sized enterprises | Mortgage loans | Consumer loans | Business development | Auto loans | Loans to banks | Total loans to customers and banks |
|--|-----------------|------------------------------------|----------------|----------------|----------------------|--------------|----------------|------------------------------------|
| 30 June 2022 and 2023 | | | | | | | | |
| 1 January 2022 | 60,429 | 8,216 | 5,199 | 12,231 | 5,400 | 940 | - | 92,415 |
| (Reversal)/charge of allowance* (unaudited) | (694) | 8,597 | 1,625 | 5,154 | 1,217 | (694) | (2) | 15,203 |
| New financial assets originated or purchased*(unaudited) | 815 | 1,283 | 58 | 1,133 | 241 | 101 | 56 | 3,687 |
| Effect of unwinding of discount**(unaudited) | 1,326 | 224 | 2 | 216 | 52 | 1 | - | 1,821 |
| Write-off of assets (unaudited) | (8,662) | (5,397) | (2,967) | (3,065) | (537) | (50) | - | (20,678) |
| Recovery of assets previously written-off (unaudited) | 6 | 289 | 192 | 38 | 44 | 5 | - | 574 |
| Foreign exchange difference (unaudited) | 1,661 | 214 | 168 | 297 | 167 | 6 | - | 2,513 |
| 30 June 2022 (unaudited) | 54,881 | 13,426 | 4,277 | 16,004 | 6,584 | 309 | 54 | 95,535 |
| 1 January 2023 | 65,470 | 7,415 | 6,769 | 25,375 | 6,707 | 245 | 104 | 112,085 |
| (Reversal)/charge of allowance* (unaudited) | (207) | 6,845 | 3,450 | 8,718 | 699 | 1,146 | 182 | 20,833 |
| New financial assets originated or purchased*(unaudited) | 1,941 | 2,169 | 236 | 1,230 | 853 | 263 | 305 | 6,997 |
| Effect of unwinding of discount**(unaudited) | 2,060 | 186 | 32 | 1,068 | 130 | 4 | - | 3,480 |
| Write-off of assets (unaudited) | (4,718) | (1,110) | (635) | (18,490) | (976) | (20) | - | (25,949) |
| Recovery of assets previously written-off (unaudited) | - | 238 | 262 | 971 | 147 | 19 | - | 1,637 |
| Foreign exchange difference (unaudited) | 555 | 144 | 92 | 196 | 69 | 15 | 5 | 1,076 |
| 30 June 2023 (unaudited) | 65,101 | 15,887 | 10,206 | 19,068 | 7,629 | 1,672 | 596 | 120,159 |

*Provisions recognised during the six months ended 30 June 2023 and 2022 are presented in the consolidated interim condensed statement of profit and loss in 'Charge of credit loss allowance on loans to customers and banks' line item.

**Unwinding of discount on present value of expected credit losses.

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NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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8. FEE AND COMMISSION INCOME/(EXPENSE)

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|---|---|---|---|
| Fee and commission receipts: | | | | |
| Payment cards | 10,486 | 4,618 | 19,535 | 7,886 |
| Sale of insurance policies | 4,899 | 588 | 7,535 | 1,309 |
| Settlement | 4,131 | 2,588 | 7,668 | 4,014 |
| Guarantees issued | 1,420 | 1,049 | 2,470 | 1,963 |
| Cash operations | 1,183 | 1,268 | 2,328 | 2,051 |
| Securities purchase and sale | 429 | 251 | 799 | 523 |
| Documentary operations | 107 | 29 | 184 | 36 |
| Custody activities | 75 | 71 | 157 | 114 |
| Internet banking services | 16 | 12 | 30 | 23 |
| Trust operations | 13 | 20 | 27 | 42 |
| Forex services (currency conversion) | 7 | 47 | 32 | 52 |
| Other | 59 | 60 | 112 | 105 |
| Total fee and commission receipts | 22,825 | 10,601 | 40,877 | 18,118 |
| Payment cards | (8,324) | (3,419) | (14,759) | (5,871) |
| Settlement | (840) | (444) | (1,512) | (655) |
| Documentary operations | (77) | (47) | (113) | (61) |
| Custody activities | (69) | (118) | (168) | (144) |
| Securities purchase and sale | (58) | - | (94) | (12) |
| Forex services (currency conversion) | (6) | (116) | (85) | (315) |
| Other | (231) | (34) | (382) | (38) |
| Total fee and commission payments | (9,605) | (4,178) | (17,113) | (7,096) |

Fee and commission income that are not integral to the effective interest rate on a financial asset or financial liability is recognised depending on the type of the service either at a point in time or as the Group satisfies its performance obligation under the contract:

- fees and commission for settlement operations, cash operations, payment card operations, Internet-banking services, foreign exchange operations is charged for the execution of payment orders in accordance with tariffs depending on the type of the transaction and recognised as income at the time when transaction is performed;
- a commission fee on guarantees and letters of credit issued is paid in advance and is recognised as income over the life time of the relevant guarantee or letter of credit.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

| | 31 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| Receivables which are included in 'other assets' (Note 19) | 6,749 | 4,715 |

9. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|---|---|---|---|
| Realised gain/(loss) on derivative financial instruments | 1,223 | (3,939) | 2,389 | (12,003) |
| Realised gain/(loss) on trading operations | 204 | (504) | 373 | (350) |
| Unrealised gain/(loss) on derivative financial instruments | 783 | (1,277) | 1,691 | (318) |
| Unrealised gain/(loss) on change in fair value | 245 | (1,370) | 479 | (1,645) |
| | 2,455 | (7,090) | 4,932 | (14,316) |

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10. NET FOREIGN EXCHANGE GAIN

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|-----------------------------------|--|--|--|--|
| Dealing operations, net | 9,000 | 10,552 | 18,035 | 17,598 |
| Foreign currency differences, net | 3,385 | 6,176 | 5,407 | 12,946 |
| | 12,385 | 16,728 | 23,442 | 30,544 |

11. OPERATING EXPENSES

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|--|--|
| Wages and salaries | 16,274 | 12,193 | 31,253 | 18,992 |
| Taxes other than income tax | 3,115 | 2,363 | 5,381 | 3,575 |
| Depreciation and amortisation | 2,538 | 1,996 | 4,939 | 2,983 |
| Administrative expenses | 1,655 | 1,490 | 3,129 | 2,264 |
| Short-term lease expenses | 1,508 | 1,178 | 2,960 | 2,205 |
| Telecommunications | 730 | 710 | 1,353 | 1,103 |
| Contributions to Deposit Insurance Fund | 581 | 890 | 1,726 | 1,625 |
| Advertising costs | 522 | 288 | 977 | 461 |
| Security and alarming expenses | 440 | 420 | 933 | 734 |
| Equipment repair and maintenance | 408 | 321 | 667 | 468 |
| Cash collection | 367 | 203 | 536 | 294 |
| Professional services | 171 | 303 | 200 | 498 |
| Business travel expenses | 110 | 103 | 231 | 154 |
| Representation expenses | 36 | 17 | 55 | 27 |
| Other expenses | 622 | 1,723 | 1,151 | 2,053 |
| | 29,077 | 24,198 | 55,491 | 37,436 |

12. INCOME TAX EXPENSE

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|--|--|--|--|--|
| Current income tax expense | 2,645 | 892 | 5,608 | 810 |
| Movement in deferred tax liabilities due to origination and reversal of temporary differences and movement in loss allowance | 178 | 147 | 377 | 233 |
| Total income tax expense | 2,823 | 1,039 | 5,985 | 1,043 |

During the six months ended 30 June 2023, the applicable tax rate for current and deferred tax is 20% (2022: 20%).

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13. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the parent bank by the weighted average number of ordinary shares outstanding during the period.

| | For the three months ended 30 June 2023 (unaudited) | For the three months ended 30 June 2022 (unaudited) | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|--|--|
| Basic earnings per share | | | | |
| Net profit attributable to the Bank's shareholders | 37,607 | 91,983 | 62,647 | 103,292 |
| Less: additional dividends payable upon full distributions of profit to the preference shareholders | (34) | (52) | (57) | (58) |
| Net earnings attributable to ordinary shareholders | 37,573 | 91,931 | 62,590 | 103,234 |
| A weighted average number of ordinary shares for the purposes of diluted earnings per share | 184,574,161 | 182,253,791 | 184,603,534 | 182,276,502 |
| Basic earnings per share (KZT) | 203.57 | 504.41 | 339.05 | 566.36 |
| Diluted earnings per share | | | | |
| Net earnings attributable to ordinary shareholders | 37,573 | 91,931 | 62,590 | 103,197 |
| Add: additional dividends payable upon full distributions of profit to the preference shareholders | 34 | 52 | 57 | 58 |
| Earnings used in calculation of diluted earnings per share | 37,607 | 91,983 | 62,647 | 103,255 |
| Weighted average number of ordinary shares | 184,603,534 | 182,253,791 | 184,603,534 | 182,276,502 |
| Shares deemed to be issued: | | | | |
| Weighted average number of ordinary shares that would be issued for the convertible preference shares | 158,540 | 103,641 | 157,608 | 110,249 |
| Weighted average number of ordinary shares for purposes of diluted earnings per share | 184,732,701 | 182,357,432 | 184,761,142 | 182,341,694 |
| Diluted earnings per share (KZT) | 203.58 | 504.41 | 339.07 | 566.27 |

The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share provided by KASE.

The book value of one share per each class of shares as at 30 June 2023 and 31 December 2022 is as follows:

| Type of shares | 30 June 2023 (unaudited) | | | 31 December 2022 | | |
|-------------------|--|---|------------------------------------|--|---|------------------------------------|
| | Outstanding shares (number of shares) | Amount for calculation of book value KZT million | Book value of one share, KZT | Outstanding shares (number of shares) | Amount for calculation of book value KZT million | Book value of one share, KZT |
| Ordinary shares | 184,519,467 | 324,658 | 1,759 | 184,722,599 | 258,124 | 1,397 |
| Preference shares | 169,215 | 16 | 95 | 146,382 | 34 | 232 |
| | | 324,674 | | | 258,158 | |

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the total number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of the Group's net asset value for ordinary shares to the total number of ordinary shares as at the reporting date. The Group's net asset value for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Total number of ordinary and preference shares is calculated as the total number of shares issued and outstanding, net of shares repurchased by the Group as at the reporting date.

Management of the Group believes that the Group fully complies with the requirements of KASE as at the reporting date.

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14. CASH AND CASH EQUIVALENTS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Cash on hand | 177,311 | 138,527 |
| Nostro accounts with the NBRK | 127,999 | 411,235 |
| Nostro accounts with other banks | | |
| - rated from AA- to AA+ | 20,367 | 17,609 |
| - rated from A- to A+ | 64,321 | 39,792 |
| - rated from BBB- to BBB+ | 3,294 | 4,172 |
| - rated from BB- to BB+ | 772 | 950 |
| - rated from B- to B+ | 10 | 94 |
| - not rated | 8,627 | 15,965 |
| Total gross nostro accounts with other banks | 97,391 | 78,582 |
| Loss allowance | (43) | (63) |
| Total nostro accounts with other banks | 97,348 | 78,519 |
| Term deposits with the NBRK | 652,271 | 488,939 |
| Term deposits with other banks with original maturities of up to 90 days | | |
| - rated from A- to A+ | 8,932 | - |
| - rated from BBB- to BBB+ | 8,843 | - |
| Total gross term deposits with other banks with original maturities of up to 90 days | 17,775 | - |
| Loss allowance | (25) | - |
| Total term deposits with other banks with original maturities of up to 90 days | 17,750 | - |
| Total cash and cash equivalents | 1,072,679 | 1,117,220 |

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

All cash and cash equivalents are allocated to Stage 1 of the credit risk grading.

As at 30 June 2023, current account balances with other non-rated banks comprise mainly balances of KZT 7,411 million on current accounts with Russian banks, not included in the sanctions list (31 December 2022: KZT 14,939 million). 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. According to the Bank, withdrawals of these cash balances is in no way restricted.

Concentration of cash and cash equivalents

As at 30 June 2023, the Group 2 banks (31 December 2022: 1 bank), whose current accounts and deposit balances exceed 10% of equity. The gross value of these balances as at 30 June 2023 is KZT 828,999 million (31 December 2022: KZT 900,174 million).

Minimum reserve requirements

As at 30 June 2023 and 31 December 2022, minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. To meet the minimum reserves requirements the Bank places cash in reserve assets, which are required to be maintained at the level of not less than the average amount of cash on hand denominated in national currency and balance on the current account with the NBRK in the national currency for 4 weeks, calculated as certain minimum level of deposits and current accounts of the customers that are residents and non-residents of the Republic of Kazakhstan, and of other liabilities of the Bank. As at 30 June 2023, the minimum reserve requirement is KZT 56,367 million (unaudited) (31 December 2022: minimum reserve requirement was KZT 56,473 million) and reserve asset was KZT 67,423 million (unaudited)(31 December 2022: KZT 55,390 million).

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15. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2023, financial assets at fair value through profit or loss comprise trading securities of KZT 41,482 million, and foreign currency swaps of KZT 1,891 million (31 December 2022: trading securities of KZT 35,968 million, and no foreign currency swaps).

Financial assets at fair value through profit or loss comprise:

| | Nominal interest rate, % | 30 June 2023 (unaudited) | Nominal interest rate, % | 31 December 2022 |
|---|--------------------------------|-----------------------------|--------------------------------|------------------|
| Trading securities | | | | |
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 3.87-9.00 | 894 | 3.87-9.00 | 1,907 |
| Corporate bonds | 2.00-21.00 | 24,534 | 3.63-21.00 | 18,205 |
| The NBRK discount notes | | 2,657 | | - |
| <i>Equity securities*</i> | | | | |
| Shares of Kazakhstani companies | | 2,012 | | 2,674 |
| Shares of international companies | | 178 | | 64 |
| Equity stakes | | 4,566 | | 4,730 |
| | | 34,841 | | 27,580 |
| Pledged under sale and repurchase agreements | | | | |
| Government bonds of the Republic of Kazakhstan | 7.68-8.44 | 750 | | - |
| Corporate bonds | 8.5-12.00 | 5,891 | 8.50-12.40 | 8,388 |
| | | 6,641 | | 8,388 |
| | | 41,482 | | 35,968 |

* Ownership interest in equity securities is below 1%.

The table below provides analysis of credit quality of debt securities at fair value through profit or loss based on Standard and Poor's ratings or ratings of other international rating agencies as at 30 June 2023, unaudited:

| | Corporate bonds | Government bonds of the Republic of Kazakhstan, the NBRK discount notes | Total |
|---------------------------|-----------------|---|---------------|
| - rated from BBB- to BBB+ | 15,519 | 4,301 | 19,820 |
| - rated from BB- to BB+ | 4,771 | - | 4,771 |
| - rated from B- to B+ | 7,988 | - | 7,988 |
| - rated from A- to A+ | 90 | - | 90 |
| - not rated | 2,057 | - | 2,057 |
| | 30,425 | 4,301 | 34,726 |

The table below provides analysis of credit quality of debt securities at fair value through profit or loss based on Standard and Poor's ratings or ratings of other international rating agencies as at 31 December 2022:

| | Corporate bonds | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|--|---------------|
| - rated from BBB- to BBB+ | 13,229 | 1,907 | 15,136 |
| - rated from BB- to BB+ | 5,874 | - | 5,874 |
| - rated from B- to B+ | 7,247 | - | 7,247 |
| - rated from A- to A+ | 94 | - | 94 |
| - not rated | 149 | - | 149 |
| | 26,593 | 1,907 | 28,500 |

None of the financial assets at fair value through profit and loss are past due.

16. INVESTMENT SECURITIES

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| Investment securities at fair value through other comprehensive income | 607,324 | 689,740 |
| Investment financial assets at amortised cost | 146,050 | 223,679 |
| Total investment securities | 753,374 | 913,419 |

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16. INVESTMENT SECURITIES, CONTINUED

Investment securities at fair value through other comprehensive income

| | Nominal interest rate, % | 30 June 2023 (unaudited) | Nominal interest rate, % | 31 December 2022 |
|--|--------------------------------|-----------------------------|--------------------------------|------------------|
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 0.60-18.07 | 325,492 | 5-11.0 | 287,945 |
| Corporate bonds | 2.13-18.94 | 111,802 | 2.00-18.09 | 116,045 |
| The NBRK discount notes | | 138,472 | | 247,543 |
| <i>Equity securities</i> | | | | |
| Shares of the Kazakhstani companies | | 138 | | 1,463 |
| Shares of international companies | | 25 | | 25 |
| | | 575,929 | | 653,021 |
| Pledged under bank loans | | | | |
| Government bonds of the Republic of Kazakhstan | 7.13-10.47 | 13,343 | 7.1-10.5 | 13,231 |
| The US Treasury bills | 2.25 | 18,052 | 2.1-2.2 | 23,677 |
| | | 31,395 | | 36,908 |
| Allowance for expected credit losses | | - | | (189) |
| | | 607,324 | | 689,740 |

Investment securities issued by Russian issuers are allocated to Stage 2 of the credit risk grading.

Investment securities at amortised cost

| | Nominal interest rate, % | 30 June 2023 (unaudited) | Nominal interest rate, % | 31 December 2022 |
|--|--------------------------------|-----------------------------|--------------------------------|------------------|
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 0.60-6.50 | 31,774 | 0.60-8.4 | 36,302 |
| Corporate bonds | 1.26-20.00 | 21,095 | 1.25-4.8 | 9,559 |
| The NBRK discount notes | | 49,727 | | 138,415 |
| | | 102,596 | | 184,276 |
| Pledged under sale and repurchase agreements and under bank loans | | | | |
| Government bonds of the Republic of Kazakhstan | 8.44-8.45 | 14,103 | 8.4 | 1,092 |
| The US Treasury bills | 1.26-2.25 | 29,375 | 1.25-2.22 | 38,318 |
| | | 43,478 | | 39,410 |
| Allowance for expected credit losses | | (24) | | (7) |
| | | 146,050 | | 223,679 |

17. DUE FROM BANKS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Due from banks comprise: | | |
| - contingent deposit with the NBRK | 1,616 | 2,173 |
| - rated from AA- to AA+ | 21,904 | 18,562 |
| - rated from A- to A+ | 914 | 6,575 |
| - not rated | 44,110 | 27,236 |
| Due from banks before allowance for expected credit losses | 68,544 | 54,546 |
| Allowance for expected credit losses | (32) | (10) |
| Total due from banks | 68,512 | 54,536 |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's agency or analogues of similar international rating agencies. As at 30 June 2023 and 31 December 2022, all due from banks are classified into Stage 1 of the credit risk grading.

As at 30 June 2023, a contingent deposit with the NBRK comprises funds of KZT 188 million (31 December 2022: KZT 329 million) received from Development Bank of Kazakhstan JSC ("DBK JSC") and KZT 1,428 million (31 December 2022: KZT 1,844 million) received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") in accordance with the terms and conditions of loan agreements with DBK JSC and EDF DAMU JSC.

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17. DUE FROM BANKS, CONTINUED

Due from banks and other financial institutions, not rated

As at 30 June 2023 and 31 December 2022, deposits balances held with other banks, that are not rated, comprise security deposits and margin protection at KASE, for a total of KZT 36,259 million and KZT 23,133 million, respectively.

Concentration of accounts and deposits with banks

As at 30 June 2023, the Group has 1 banks (31 December 2022: no banks) whose balances exceed 10% of equity, totalling KZT 36,259 million.

18. LOANS TO CUSTOMERS AND BANKS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| Loans to customers | 2,396,020 | 1,992,170 |
| Accrued interest | 41,115 | 41,180 |
| | 2,437,135 | 2,033,350 |
| Less credit loss allowance | (119,563) | (111,981) |
| Total loans to customers | 2,317,572 | 1,921,369 |
| Loans to banks | 25,528 | 13,719 |
| Accrued interest | 235 | 109 |
| Less credit loss allowance | (596) | (104) |
| Total loans to banks | 25,167 | 13,724 |
| Loans under reverse repurchase agreements | 12,416 | 74,020 |
| Total loans to customers and banks | 2,355,155 | 2,009,113 |

Movement in credit loss allowance for loans to customers and banks for the six months ended 30 June 2023 and 2022 is disclosed in Note 7.

The following table provides information by types of loan products as at 30 June 2023, unaudited:

| | Gross amount | Loss allowance | Carrying amount |
|---|------------------|------------------|------------------|
| Loans to corporate customers | | | |
| Corporate loans | 486,403 | (65,101) | 421,302 |
| Small and medium-sized enterprises | 306,740 | (15,887) | 290,853 |
| Loans to individuals | | | |
| Mortgage loans (including mortgage loans under the '7-20-25' programme and the Baspana Hit programme) | 749,902 | (10,206) | 739,696 |
| Consumer loans | 406,412 | (19,068) | 387,344 |
| Business development | 203,755 | (7,629) | 196,126 |
| Auto loans | 283,923 | (1,672) | 282,251 |
| | 2,437,135 | (119,563) | 2,317,572 |

The following table provides information by types of loan products as at 31 December 2022:

| | Gross amount | Loss allowance | Carrying amount |
|---|------------------|------------------|------------------|
| Loans to corporate customers | | | |
| Corporate loans | 447,106 | (65,470) | 381,636 |
| Small and medium-sized enterprises | 269,789 | (7,415) | 262,374 |
| Loans to individuals | | | |
| Mortgage loans (including mortgage loans under the '7-20-25' programme and the Baspana Hit programme) | 629,998 | (6,769) | 623,229 |
| Consumer loans | 382,996 | (25,375) | 357,621 |
| Business development | 154,760 | (6,707) | 148,053 |
| Auto loans | 148,701 | (245) | 148,456 |
| | 2,033,350 | (111,981) | 1,921,369 |

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(a) Credit quality of corporate loans, loans to small and medium-sized enterprises and loans to individuals

The following table provides information on the credit quality of loans to customers as at 30 June 2023 (unaudited):

| | Corporate loans (unaudited) | Small and medium-sized enterprises (unaudited) | Mortgage loans (unaudited) | Consumer loans (unaudited) | Business development (unaudited) | Auto loans (unaudited) | Total (unaudited) |
|--|--------------------------------|---|-------------------------------|-------------------------------|--|---------------------------|----------------------|
| Loans to customers | | | | | | | |
| Not overdue loans | 459,840 | 277,913 | 736,142 | 369,713 | 187,750 | 279,597 | 2,310,955 |
| Overdue loans: | | | | | | | |
| - overdue less than 30 days | 25,439 | 7,502 | 6,787 | 13,123 | 4,671 | 2,926 | 60,448 |
| - overdue 31-60 days | - | 1,180 | 1,515 | 3,138 | 1,243 | 420 | 7,496 |
| - overdue 61-90 days | - | 382 | 804 | 2,180 | 545 | 344 | 4,255 |
| - overdue 91-180 days | 77 | 1,442 | 844 | 5,153 | 1,478 | 296 | 9,290 |
| - overdue more than 180 days | 1,047 | 18,321 | 3,810 | 13,105 | 8,068 | 340 | 44,691 |
| Total loans to customers before loss allowance for expected credit losses | 486,403 | 306,740 | 749,902 | 406,412 | 203,755 | 283,923 | 2,437,135 |
| Allowance for expected credit losses | (65,101) | (15,887) | (10,206) | (19,068) | (7,629) | (1,672) | (119,563) |
| Total loans to customers, net of allowance for expected credit losses | 421,302 | 290,853 | 739,696 | 387,344 | 196,126 | 282,251 | 2,317,572 |

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(a) Credit quality of corporate loans, loans to small and medium-sized enterprises and loans to individuals, continued

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

| | Corporate loans | Small and medium-sized enterprises | Mortgage loans | Consumer loans | Business development | Auto loans | Total |
|--|-----------------|------------------------------------|----------------|----------------|----------------------|----------------|------------------|
| Loans to customers | | | | | | | |
| Not overdue loans | 429,079 | 247,485 | 619,918 | 341,925 | 140,801 | 146,929 | 1,926,137 |
| Overdue loans: | | | | | | | |
| - overdue less than 30 days | 7,278 | 3,354 | 3,554 | 9,023 | 2,542 | 1,219 | 26,970 |
| - overdue 31-60 days | - | 2,601 | 1,122 | 2,656 | 1,015 | 195 | 7,589 |
| - overdue 61-90 days | - | 372 | 746 | 2,571 | 397 | 43 | 4,129 |
| - overdue 91-180 days | 292 | 2,225 | 963 | 7,254 | 1,388 | 131 | 12,253 |
| - overdue more than 180 days | 10,457 | 13,752 | 3,695 | 19,567 | 8,617 | 184 | 56,272 |
| Total loans to customers before loss allowance for expected credit losses | 447,106 | 269,789 | 629,998 | 382,996 | 154,760 | 148,701 | 2,033,350 |
| Allowance for expected credit losses | (65,470) | (7,415) | (6,769) | (25,375) | (6,707) | (245) | (111,981) |
| Total loans to customers, net of allowance for expected credit losses | 381,636 | 262,374 | 623,229 | 357,621 | 148,053 | 148,456 | 1,921,369 |

(b) Analysis of movement in loss allowance for expected credit losses

Key assumptions and judgements for estimating loss allowance for expected credit losses

As at 30 June 2023, there were no significant changes related to key assumptions and judgements used for estimating loss allowance for expected credit losses as compared with those used as at 31 December 2023.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(b) Analysis of movement in loss allowance for expected credit losses, continued

| | The six months ended 30 June 2023 (unaudited) | | | | POCI | Total |
|--|--|---|--|-----------|---------------|-------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL for assets not credit- impaired | Stage 3 Lifetime ECL for credit-impaired assets | | | |
| Loans to corporate customers and small and medium-sized enterprises | | | | | | |
| Allowance for expected credit losses at the beginning of the year | 3,364 | 9,812 | 59,660 | 49 | 72,885 | |
| Transition to lifetime expected credit losses for assets not credit-impaired | (299) | 299 | - | - | - | |
| Transition to lifetime expected credit losses for credit-impaired assets | (422) | (180) | 602 | - | - | |
| Charge of allowance* | 1,049 | 4,871 | 767 | (49) | 6,638 | |
| New financial assets originated or purchased | 3,053 | 46 | 1,011 | - | 4,110 | |
| Effect of unwinding of discount | - | - | 2,246 | - | 2,246 | |
| Write-off of assets | - | - | (5,828) | - | (5,828) | |
| Recovery of assets previously written-off | - | - | 238 | - | 238 | |
| Foreign exchange difference | 69 | 173 | 457 | - | 699 | |
| Allowance for expected credit losses at the end of the year | 6,814 | 15,021 | 59,153 | - | 80,988 | |

| | The six months ended 30 June 2023 (unaudited) | | | | POCI | Total |
|--|--|---|--|------------|---------------|-------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL for assets not credit- impaired | Stage 3 Lifetime ECL for credit-impaired assets | | | |
| Loans to individuals | | | | | | |
| Allowance for expected credit losses at the beginning of the year | 10,548 | 2,914 | 25,254 | 380 | 39,096 | |
| Transition to 12-month expected credit losses | 162 | (130) | (32) | - | - | |
| Transition to lifetime expected credit losses for assets not credit-impaired | (2,610) | 2,716 | (106) | - | - | |
| Transition to life-time expected credit losses for credit-impaired assets | (1,057) | (2,587) | 3,644 | - | - | |
| Charge of allowance | 4,684 | 183 | 9,526 | (380) | 14,013 | |
| New financial assets originated or purchased | 2,517 | 33 | 32 | - | 2,582 | |
| Unwinding of discount | - | - | 1,234 | - | 1,234 | |
| Write-off of assets | - | - | (20,121) | - | (20,121) | |
| Recovery of assets previously written-off | - | - | 1,399 | - | 1,399 | |
| Foreign exchange difference | 154 | 29 | 189 | - | 372 | |
| Allowance for expected credit losses at the end of the year | 14,398 | 3,158 | 21,019 | - | 38,575 | |

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(b) Analysis of movement in loss allowance for expected credit losses, continued

| | The six months ended 30 June 2022 (unaudited) | | | Total |
|--|--|--|---|---------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL for assets not credit- impaired | Lifetime ECL for credit-impaired assets | |
| Loans to corporate customers and small and medium-sized enterprises | | | | |
| Allowance for expected credit losses at the beginning of the year | 3,013 | 6,659 | 58,973 | 68,645 |
| Transition to lifetime expected credit losses for assets not credit-impaired | (199) | 199 | - | - |
| Transition to life-time expected credit losses for credit-impaired assets | (82) | (2) | 84 | - |
| Charge of allowance | 4,681 | 607 | 2,615 | 7,903 |
| New financial assets originated or purchased | 976 | 5 | 1,117 | 2,098 |
| Unwinding of discount | - | - | 1,550 | 1,550 |
| Write-off of assets | - | - | (14,059) | (14,059) |
| Recovery of assets previously written-off | - | - | 295 | 295 |
| Foreign exchange difference | 332 | 290 | 1,253 | 1,875 |
| Allowance for expected credit losses at the end of the year | 8,721 | 7,758 | 51,828 | 68,307 |

| | The six months ended 30 June 2022 (unaudited) | | | Total |
|--|--|--|---|---------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL for assets not credit- impaired | Lifetime ECL for credit-impaired assets | |
| Loans to individuals | | | | |
| Allowance for expected credit losses at the beginning of the period | 3,692 | 563 | 19,515 | 23,770 |
| Transition to 12-month expected credit losses | 11 | (11) | - | - |
| Transition to lifetime expected credit losses for assets not credit-impaired | (596) | 596 | - | - |
| Transition to life-time expected credit losses for credit-impaired assets | (1,015) | (536) | 1,551 | - |
| Charge of allowance | 2,217 | 625 | 4,460 | 7,302 |
| New financial assets originated or purchased | 1,301 | 29 | 203 | 1,533 |
| Unwinding of discount | - | - | 271 | 271 |
| Write-off of assets | - | - | (6,619) | (6,619) |
| Recovery of assets previously written-off | - | - | 279 | 279 |
| Foreign exchange difference | 276 | 33 | 329 | 638 |
| Allowance for expected credit losses at the end of the period | 5,886 | 1,299 | 19,989 | 27,174 |

(c) Analysis of movements in the gross carrying amounts

Significant changes in the gross carrying amount of loans to customers during the period that contributed to changes in loss allowance were as follows:

Loans to corporate customers and small and medium-sized enterprises

- The volume of loans issued to customers during the six months of 2023 resulted in increase in the gross carrying amount of the portfolio of loans to corporate customers and small and medium-sized enterprises by KZT 310,936 million, while respective increase in the 6-month loss allowance amounted to KZT 4,110 million.
- The volume of loans repaid during the six months of 2023 resulted in decrease in the gross carrying amount of the portfolio of loans to corporate customers and small and medium-sized enterprises by KZT 228,840 million, while respective decrease in the 6-month loss allowance amounted to KZT 788 million.
- The write-off of loans with a gross carrying amount of KZT 22,682 million resulted in the reduction of Stage 3 loss allowance by the same amount.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(c) Analysis of movements in the gross carrying amounts, continued

Loans to individuals

- The volume of loans issued to customers during the six months of 2023 resulted in increase in the gross carrying amount of the retail segment loan portfolio by KZT 490,967 million, while respective increase in the 6-month loss allowance amounted to KZT 2,582 million.
- The volume of loans repaid during the six months of 2023 resulted in decrease in the gross carrying amount of the retail segment loan portfolio by KZT 143,329 million, while respective decrease in the 6-month loss allowance amounted to KZT 1,085 million.
- The write-off of loans with a gross carrying amount of KZT 20,121 million resulted in the reduction of Stage 3 loss allowance by the same amount.

Repossessed collateral

During the six months ended 30 June 2023, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 2,824 million (the six months ended 30 June 2022: KZT 5,100 million). As at 30 June 2023, the repossessed collateral was KZT 57,826 million (31 December 2022: KZT 58,400 million of repossessed collateral) (Note 19).

(i) Loans to banks

| | <u>30 June 2023</u> |
|---|---------------------|
| - rated from BB- to BB+ | 22,347 |
| - not rated (commercial banks of the Republic of Kazakhstan and the Republic of Tajikistan) | 3,416 |
| | <u>25,763</u> |
| Less: loss allowance | (596) |
| | <u>25,167</u> |

Loans to banks are classified into Stage 1 of the credit risk grading.

(d) Loan portfolio analysis

As at 30 June 2023, the Group has 1 borrower or groups of related borrowers (31 December 2022: 2), whose loan balances exceed 10% of equity. The gross value of these balances as at 30 June 2023 is KZT 43,162 million (31 December 2022: KZT 77,508 million).

Fair value of assets received as collateral and carrying amount of reverse repurchase agreements as at 30 June 2023 and 31 December 2022 is as follows:

| | <u>30 June 2023 (unaudited)</u> | | <u>31 December 2022</u> | |
|--|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Carrying amount of loans | Fair value of collateral | Carrying amount of loans | Fair value of collateral |
| Government bonds of the Republic of Kazakhstan | 4,541 | 4,461 | 36,435 | 35,588 |
| The NBRK discount notes | - | - | 3,002 | 3,002 |
| Corporate bonds | 7,875 | 8,162 | 34,583 | 33,869 |
| | <u>12,416</u> | <u>12,623</u> | <u>74,020</u> | <u>72,459</u> |

(e) Loan maturities

Maturities of the Bank's loan portfolio as at the reporting date is presented in Note 27 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that part of the loans will be extended at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the contractually agreed term.

(f) Continuing involvement in the asset

The Bank is a participant of the '7-20-25' and 'Baspana Hit' mortgage programmes under which loans are issued for purchasing real estate on both primary and secondary housing markets, respectively.

The operator of the Programme is Kazakhstan Sustainability Fund JSC (the "Operator").

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(f) Continuing involvement in the asset, continued

In accordance with the Programme and Trust Management Agreement with the Operator, the Bank holds transferred loans in trust and ensure that credit files are appropriately maintained. Fees for trust management services are paid in the amount and at the times as agreed under the Trust Management Agreement and make up 4% of the carrying amount of assets at the end of each month. In case of partial repayment of interest by the borrowers, a trust management fee is calculated pro rated to the interest paid.

The Bank is obliged to repurchase the rights of claim on transferred mortgage loans when the loan principal amount and interest are overdue more than 90 calendar days.

As at 30 June 2023, as many as 1,175 loans worth over KZT 18,971 million (unaudited) (31 December 2022 : as many as 24,174 loans worth over KZT 315,119 million) have been issued under the '7-20-25' programme.

As at 30 June 2023, no loans have been issued under the 'Baspana Hit' programme (31 December 2022: the Bank issued 14,504 loans for the amount of more than KZT 149,853 million).

In 2021, the 'Baspana Hit' programme was completed due to full utilisation by the second-tier banks of the limits issued.

(g) Transfers of financial assets

During the six months ended 30 June 2023, the Group sold a portfolio of mortgage loans at its carrying amount, the balance of which amounted to KZT 425,415 million (unaudited) at 30 June 2023 (31 December 2022: KZT 406,109 million) and issued a customer a guarantee of reverse repurchase or exchange of certain loans, if loans are overdue for more than 90 days. The amount of reverse repurchase or exchange is not limited. Reverse repurchase is performed at the loan nominal value (outstanding principal and interest accrued) as of the purchase date.

The Group's continuing involvement in said transferred portfolio is recorded in the consolidated interim condensed statement of financial position within the loans to customers in the amount of KZT 425,415 million, which is equal to the respective liability from continuing involvement, which is included in other liabilities (Note 24).

The Group has determined that the carrying amount of the transferred portfolio of mortgage loans reflects its fair value.

19. OTHER ASSETS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Other financial assets | | |
| Mutual settlements with international payment system (VISA International, Mastercard) | 4,837 | 2,779 |
| Receivables from sale of owned assets | 5,706 | 5,462 |
| Other receivables | 15,632 | 7,501 |
| Accrued commission | 6,749 | 5,447 |
| Western Union and other wireless transfers | 849 | 1,585 |
| | 33,773 | 22,774 |
| Allowance for expected credit losses | (3,095) | (2,169) |
| | 30,678 | 20,605 |
| Other non-financial assets | | |
| Reposessed collateral | 57,826 | 57,228 |
| Receivables under joint arrangements | 20,049 | 20,049 |
| Investment property | 19,656 | 20,441 |
| Reimbursement under warranty obligation (Note 24) | 13,991 | - |
| Advances paid | 11,977 | 10,904 |
| Taxes receivable other than income tax | 2,397 | 2,494 |
| Inventories | 574 | 468 |
| Payment receivable for reposessed collateral | 128 | 328 |
| Other assets | 953 | 7 |
| | 127,551 | 111,919 |
| Loss allowance | (5,022) | (4,502) |
| | 122,529 | 107,417 |
| | 153,207 | 128,022 |

As at 30 June 2023, other financial assets of KZT 31,243 million are classified into Stage 1 of the credit risk grading (31 December 2022: KZT 19,908 million) and no financial assets are classified into Stage 2 of the credit risk grading (31 December 2022: nil), and of KZT 2,530 million are classified into Stage 3 of the credit risk grading (31 December 2022: KZT 2,866 million).

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19. OTHER ASSETS, CONTINUED

Receivables under joint arrangements. In May 2020, the Group entered into joint arrangements with the construction company RAMS Kazakhstan LLP, to sell land plots intended for construction of a multi-purpose housing estate worth KZT 20,006 million. Under the contract, payments for land plots will be cashless and made through transfer into the ownership of the Group of a part of residential and non-residential premises of the housing estate. Non-cash consideration was measured at fair value as of the sale date.

Repossessed collateral. Repossessed collateral comprises real estate pledged as collateral, accepted by the Group in exchange for its liabilities on credit-impaired loans. These assets have been initially measured at fair value and subsequently measured at the lower of fair value less cost to sell and the carrying value. The Group's policy is to sell these assets as soon as it is practicable.

When measuring the fair values as at 30 June 2023, management used the market approach, which is based on an analysis of the prices of the latest comparable sales of similar properties, and the income approach. The following assumptions were used in applying the income approach:

- Cash flows were estimated taking into account market rental rates and occupancy rates.
- The present value of cash flows was determined using the discount rate of 15.9 %.

Payment receivable on repossessed collateral. Payment on repossessed collateral comprises prepayments for repossessed collateral which is acquired through auctions.

Investment property. The fair value of investment property was measured using the market approach, which reflects the prices of latest transactions on similar real estate items, and as at 30 June 2023 and 31 December 2022 amounted to KZT 20,399 million and KZT 21,392 million, respectively.

The fair values of investment properties are categorised into Level 3 of the fair value hierarchy.

Included into operating lease income is rental income from investment property for the six months ended 30 June 2023 and 2022, amounting to KZT 1,231 million and KZT 892 million, respectively. Operating expenses related to investment property from which the Group earned rental income for the six months ended 30 June 2023 and 2022 amounted to KZT 219 million and KZT 104 million, respectively.

20. DUE TO BANKS AND FINANCIAL INSTITUTIONS

| | Nominal interest rate, % | 30 June 2023 (unaudited) | Nominal interest rate, % | 31 December 2022 |
|---|-----------------------------|-----------------------------|-----------------------------|---------------------|
| Long-term loans due to banks and financial institutions | 1.00-8.78 | 74,983 | 1.00-8.78 | 67,117 |
| Loans due to international credit organisations | 17.48-19.45 | 19,631 | 16.50-21.45 | 40,955 |
| Correspondent accounts of banks | | 27,051 | | 42,185 |
| Loan from the NBRK | 16.75 | 10 | 16.75 | 10 |
| Accrued interest expense | | 958 | | 1,619 |
| | | 122,633 | | 151,886 |
| Loans under repurchase agreements | 9.5-17.75 | 19,704 | 16.1-16.75 | 6,638 |
| | | 142,337 | | 158,524 |

Long-term loans due to banks and financial institutions. Long-term loans due to banks and financial institutions comprise long-term loans from DAMU Entrepreneurship Development Fund JSC ("DAMU JSC"), Development Bank of Kazakhstan JSC ("DBK JSC"), Industrial Development Fund JSC ("IDF JSC") and Agrarian Credit Corporation JSC ("ACC JSC"), for a total of KZT 31,721 million at 1.0%-8.78% p.a., maturing in 2023-2035, and for a total of KZT 10,901 million at 1%-2% p.a., maturing in 2034-2037, and for a total of KZT 27,500 million at 1.0% p.a., maturing in 2052 and for a total of KZT 4,861 million at 1.5% p.a., maturing in 2024, respectively, as at 30 June 2023 (31 December 2022: KZT 27,719 million, KZT 10,901 million, KZT 27,500 million and KZT 997 million, respectively). During the six months ended 30 June 2023 and 2022, the Group has been repaying principal and interest according to the repayment schedules. Loans from DAMU JSC are not secured by debt securities.

Loans from DAMU JSC in amount of KZT 8,100 million were transferred to the Group under the assignment contracts for rights of claim concluded with SB Alfa-Bank JSC on 29 April 2022. These financial liabilities were initially recognised at fair value, based on the assumption that raising funds through government lending programmes available to second-tier banks is a separate market segment.

During the six months ended 30 June 2023, the Group received long-term loans from DAMU JSC in the amount of KZT 4,547 million, at 2.5-4.5% p.a., maturing in 2030. The loans were received for subsequent lending to end borrowers.

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20. DUE TO BANKS AND FINANCIAL INSTITUTIONS, CONTINUED

During the six months ended 30 June 2023, the Group received long-term loans from ACC JSC in the amount of KZT 4,861 million, at 1.5% p.a., maturing in 2024. The loans were received for subsequent financing of spring field and harvesting works in 2023.

During the six months ended 30 June 2022, the Group received long-term loans from IDF JSC in amount of KZT 27,500 million, at 1.0% p.a., maturing in 2052. Loans were received to further extend loans to individuals as part of the programme to provide auto loans on preferential terms to individuals.

During the six months ended 30 June 2023 and 2022, the Group repaid the long-term loan from DAMU JSC in amount of KZT 993 million at 1.0-8.5% p.a. and in the amount of KZT 856 million at 1.0-4.5% p.a., respectively.

As at 30 June 2023, the loans from banks and financial institutions are secured by debt securities of KZT 14,390 million (31 December 2022: KZT 14,323 million) (Note 16).

Loans under the Preferential Lending Programme for small and medium-sized enterprises (the “Programme”)

The loans from DAMU JSC were received in accordance with the Government programme to finance small- and medium-sized enterprises (“SME”) in specific industries (“the Programme”). Under the loan agreement between DAMU JSC and the Group, the Group extends loans to the SME borrowers, eligible to participate in the Programme, at the interest rate with the margin of 4% and with maturity not exceeding 10 years. The Group’s obligation to repay the loan to DAMU JSC is not contingent on collectability of the loans extended to the SME borrowers. The Group is obligated to pay a 15% penalty on the amounts not extended to the SME borrowers within 3-9 months after receiving the money from DAMU JSC.

Loans under the Preferential Lending Programme for small and medium-sized enterprises (the “Programme”)

The Group’s management believes that there are no other financial instruments similar to loans received from DAMU JSC, DBK JSC, IDF JSC and Agrarian Credit Corporation JSC, bearing the interest rates of 1%-8.78% p.a., and due to specific nature of LSE and SME clients and individuals under the auto loan preferential programme, this product represents a separate market. Therefore, loans received from DAMU JSC, DBK JSC, IDF JSC and Agrarian Credit Corporation JSC, bearing the interest rates of 1%-8.78% p.a., represent the orderly transactions on the separate market and as such, they have been recorded at fair value at the recognition date.

Loans due to international credit organisations. Loans due to international credit organisations comprise loans from the European Bank for Reconstruction and Development (“EBRD”) at 16.50% -21.45% p.a., maturing in 2023- 2025.

During the six months ended 30 June 2022, the Group received a loan from European Bank for Reconstruction and Development JSC for a total of KZT 14,390 million, bearing the interest rates of 16.5% - 17.8% p.a. and maturing in 2025.

During the six months ended 30 June 2023, the Group has repaid the principal and the interest according to the repayment schedules, in amount of KZT 5,012 million and early repaid the principal amount and the interest in amount of KZT 19,627 million.

As at 30 June 2023, the loans received from international credit organisations are collateralised by debt securities for a total of KZT 47,420 million (31 December 2022: KZT 61,995 million) (Note 16).

The Group is obligated to comply with financial covenants in relation to ‘due to banks and financial institutions’ mentioned above. These covenants include the established ratios including debt-to-equity ratios and other coefficients used for financial performance ratios. As at 30 June 2023 and 31 December 2022, the Group was in compliance with those covenants.

As at 30 June 2023 and 31 December 2022, due to banks and financial institutions included loans received under repurchase agreements of KZT 19,704 million and KZT 6,638 million that were repaid in July and January 2023, respectively. The fair value of assets pledged under repurchase agreements amounted to KZT 20,397 million and KZT 8,388 million as at 30 June 2023 and 31 December 2022, respectively.

Correspondent accounts of banks. As at 30 June 2023, deposits received from other banks included correspondent accounts received from foreign banks for a total of KZT 23,811 million and Kazakh second-tier banks for a total of KZT 3,240 million (31 December 2022: deposits received from foreign banks for a total of KZT 39,038 million and Kazakh second-tier banks for a total of KZT 3,147 million).

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23. SUBORDINATED BONDS, CONTINUED

Reconciliation of movements of liabilities to cash flows arising from financing activities (unaudited), continued

| | Liabilities | | Total |
|--|------------------------|--------------------|-----------------|
| | Debt securities issued | Subordinated bonds | |
| Balance at 1 January 2023 | 96,183 | 60,405 | 156,588 |
| Changes from financing cash flows | | | |
| Repayment of debt securities issued | (21,853) | - | (21,853) |
| Total changes from financing cash flows | (21,853) | - | (21,853) |
| Interest expense | 4,857 | 3,711 | 8,568 |
| Interest paid | (1,774) | (1,723) | (3,912) |
| Balance at 30 June 2023 | 77,413 | 62,393 | 139,806 |

24. OTHER LIABILITIES

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Other financial liabilities: | | |
| Liability from continuing involvement (Note 18 (h)) | 425,415 | 406,109 |
| Settlements on other liabilities | 17,544 | 22,100 |
| Liabilities under guarantees issued* | 33,417 | 7,819 |
| Insurance contract provisions | 12,326 | - |
| Provision for unused credit limits | 4,035 | 4,490 |
| Settlements related to administrative and operations support activity | 3,282 | 1,433 |
| Lease liability | 3,159 | 3,411 |
| Accrued fee and commission expense | 917 | 1,080 |
| | 500,095 | 446,442 |
| Other non-financial liabilities: | | |
| Taxes payable other than income tax | 3,287 | 3,092 |
| Other non-financial liabilities | 676 | 705 |
| Total other liabilities | 504,058 | 450,239 |

* As at 30 June 2023, liabilities under guarantees issued included liabilities of KZT 26,321 million under the guarantee issued to one counterparty (unaudited). The liability arose due to the occurrence of an event in the course of the Group's operating activity. The respective recovery for the liability by a third party of KZT 13,991 million (unaudited) was recognised in 'other assets' in the consolidated interim condensed financial statements (Note 19).

25. SHARE CAPITAL

As at 30 June 2023 (unaudited), the Bank's share capital comprises the following:

| | Authorised share capital | Unissued share capital | Placement of authorised ordinary shares | Repurchased share capital from shareholders | Total share capital |
|--------------------------------------|--------------------------|------------------------|---|---|---------------------|
| Ordinary shares (number of shares) | 1,211,140,611 | (1,023,111,576) | - | (3,509,568) | 184,519,467 |
| Preference shares (number of shares) | 39,249,255 | - | - | (39,080,040) | 169,215 |

As at 30 June 2023 (unaudited), the Bank's share capital comprised:

| | Authorised and issued share capital | Placement of authorised ordinary shares | Repurchased shares | Total |
|-------------------|-------------------------------------|---|--------------------|---------------|
| Ordinary shares | 63,641 | - | (487) | 63,154 |
| Preference shares | 35 | - | (19) | 16 |
| | 63,676 | - | (506) | 63,170 |

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25. SHARE CAPITAL, CONTINUED

As at 31 December 2022, the Bank's share capital comprises the following:

| | Authorised share capital | Unissued share capital | Placement of authorised ordinary shares | Repurchased share capital from shareholders | Total share capital |
|--------------------------------------|-----------------------------|---------------------------|---|--|------------------------|
| Ordinary shares (number of shares) | 1,211,140,611 | (1,023,111,576) | - | (3,306,436) | 184,722,599 |
| Preference shares (number of shares) | 39,249,255 | - | - | (39,102,873) | 146,382 |

As at 31 December 2022, the Bank's share capital comprised:

| | Authorised and issued share capital | Placement of authorised ordinary shares | Repurchased shares | Total |
|-------------------|---|---|-----------------------|---------------|
| Ordinary shares | 63,519 | - | 122 | 63,641 |
| Preference shares | 35 | - | - | 35 |
| | 63,554 | - | 122 | 63,676 |

26. SEGMENT REPORTING

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8 and in accordance with the segment reporting presented in the consolidated interim condensed financial statements for the six months ended 30 June 2023 and 2022.

Information about operating segments is presented below.

| | Retail banking (unaudited) | Corporate banking (unaudited) | Investing activities (unaudited) | Insurance activities (unaudited) | For the six months ended 30 June 2023 (unaudited) |
|---|-------------------------------|-------------------------------------|--|--|--|
| Interest income calculated using the effective interest method | 107,228 | 75,477 | 54,522 | 297 | 237,524 |
| Other interest income | - | - | 1,600 | - | 1,600 |
| Interest expense | (60,387) | (55,953) | (9,464) | - | (125,804) |
| Charge of credit loss allowance for interest-bearing assets | (16,595) | (10,748) | (487) | - | (27,830) |
| Net non-interest income | 11,247 | 24,324 | 2,789 | 325 | 38,685 |
| Operating expenses | (19,764) | (13,351) | (22,098) | (278) | (55,491) |
| Profit before income tax | 21,729 | 19,749 | 26,862 | 344 | 68,684 |
| Segment assets* | 1,598,213 | 1,991,028 | 918,777 | 2,308 | 4,510,326 |
| Segment liabilities* | 1,923,732 | 1,939,632 | 282,143 | 12,326 | 4,157,833 |
| Other segment items | | | | | |
| Depreciation/amortisation expense on property and equipment and intangible assets | (1,764) | (1,183) | (1,967) | (25) | (4,939) |
| Loans to customers and banks | 1,605,417 | 749,738 | - | - | 2,355,155 |
| Customer accounts | 1,921,626 | 1,450,006 | - | - | 3,371,632 |
| Financial guarantees and credit related commitments | 93,965 | 186,434 | - | - | 280,399 |

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26. SEGMENT REPORTING, CONTINUED

| | Retail banking (unaudited) | Corporate banking (unaudited) | Investing activities (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|-------------------------------|----------------------------------|-------------------------------------|--|
| Interest income calculated using the effective interest method | 47,707 | 35,165 | 21,277 | 104,149 |
| Other interest income | - | - | 1,486 | 1,486 |
| Interest expense | (28,906) | (17,922) | (8,553) | (55,381) |
| Charge of credit loss allowance for interest-bearing assets | (8,835) | (10,001) | (54) | (18,890) |
| Net non-interest income | 11,221 | 30,535 | (15,571) | 26,185 |
| Operating expenses | (14,440) | (22,218) | (778) | (37,436) |
| Profit before income tax | 6,747 | 15,559 | (2,193) | 20,113 |
| Gain on a bargain purchase | - | - | 84,222 | 84,222 |
| Profit for the year | 6,747 | 15,559 | 82,029 | 104,335 |
| | | | | |
| Segment assets* | 1,031,460 | 1,546,075 | 543,704 | 3,121,239 |
| | | | | |
| Segment liabilities* | 1,126,057 | 1,558,118 | 183,541 | 2,867,716 |
| Other segment items | | | | |
| Depreciation/amortisation expense on property and equipment and intangible assets | (875) | (2,022) | (86) | (2,983) |
| Loans to customers and banks | 1,028,788 | 620,409 | - | 1,649,197 |
| Customer accounts | 1,122,036 | 1,080,834 | - | 2,202,870 |
| Financial guarantees and credit related commitments | 36,229 | 147,347 | - | 183,576 |

* - net of goodwill, current and deferred income tax. Income tax expense is not allocated.

The majority of the Group's assets are located in the Republic of Kazakhstan and the Group generates income from operations conducted within the Republic of Kazakhstan.

Major customers

For the six months ended 30 June 2023 and 2022, the reporting segments have no corporate and retail customers, whose income from transactions individually exceeds 10% of the total income of the Group (unaudited).

27. RISK MANAGEMENT POLICY

Management of risk is fundamental to the Group's business of banking and forms an essential element of the Group's operations. The major (significant) risks faced by the Group are those related to market risk, credit risk, liquidity risk and operating risk, legal risk and reputational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are also separate independent bodies that are responsible for managing and monitoring risks. Risk management structure in the Group has not changed significantly for the six months ended 30 June 2023.

(a) Market risk

Market risk is the risk that the fair 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.

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27. RISK MANAGEMENT POLICY, CONTINUED

(a) Market risk, continued

(i) Currency risk

The Group's exposure to foreign currency exchange rate risk as at 30 June 2023 (unaudited) is presented in the table below:

| | KZT | USD USD 1 = KZT 454.13 | EUR EUR 1 = KZT 495.68 | Other currency | Total |
|---|------------------|------------------------------|------------------------------|-------------------|------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | 148,797 | 777,309 | 87,050 | 59,523 | 1,072,679 |
| Financial instruments at FVTPL | 33,208 | 8,274 | - | - | 41,482 |
| Investment financial assets at FVOCI | 513,055 | 78,973 | 15,296 | - | 607,324 |
| Investment financial assets at amortised cost | 58,890 | 72,465 | 14,695 | - | 146,050 |
| Due from banks | 1,671 | 59,018 | - | 7,823 | 68,512 |
| Loans to customers and banks | 2,153,329 | 183,703 | 17,083 | 1,040 | 2,355,155 |
| Other financial assets | 23,475 | 4,823 | 1,490 | 890 | 30,678 |
| Total financial assets | 2,932,425 | 1,184,565 | 135,614 | 69,276 | 4,321,880 |
| Financial liabilities: | | | | | |
| Due to banks and financial institutions | 119,120 | 21,089 | 1,760 | 368 | 142,337 |
| Customer accounts | 2,088,972 | 987,149 | 203,296 | 92,215 | 3,371,632 |
| Debt securities issued | 77,413 | - | - | - | 77,413 |
| Subordinated bonds | 62,393 | - | - | - | 62,393 |
| Other financial liabilities | 482,542 | 14,635 | 1,076 | 1,842 | 500,095 |
| Total financial liabilities | 2,830,440 | 1,022,873 | 206,132 | 94,425 | 4,153,870 |
| Open position | 101,985 | 161,692 | (70,518) | (25,149) | |
| Impact of derivatives held for risk management purposes | 65,151 | (99,463) | 9,814 | 23,644 | |
| Net position | 167,137 | 62,229 | (60,704) | (1,505) | |

The Group's exposure to foreign currency exchange rate risk as at 31 December 2022 is presented in the table below:

| | KZT | USD USD 1 = KZT 462.65 | EUR EUR 1 = KZT 487.79 | Other currency | Total |
|---|------------------|------------------------------|------------------------------|-------------------|------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | 181,141 | 733,004 | 133,816 | 69,259 | 1,117,220 |
| Financial instruments at FVTPL | 28,480 | 7,488 | - | - | 35,968 |
| Investment financial assets at FVOCI | 608,687 | 74,844 | 6,209 | - | 689,740 |
| Investment financial assets at amortised cost | 139,703 | 72,482 | 11,494 | - | 223,679 |
| Due from banks | 2,224 | 41,779 | - | 10,533 | 54,536 |
| Loans to customers and banks | 1,838,704 | 152,114 | 16,596 | 1,699 | 2,009,113 |
| Other financial assets | 14,823 | 4,918 | 785 | 79 | 20,605 |
| Total financial assets | 2,813,762 | 1,086,629 | 168,900 | 81,570 | 4,150,861 |
| Financial liabilities: | | | | | |
| Due to banks and financial institutions | 125,756 | 27,687 | 172 | 4,909 | 158,524 |
| Customer accounts | 1,996,454 | 1,035,424 | 167,318 | 73,948 | 3,273,144 |
| Debt securities issued | 71,930 | 24,253 | - | - | 96,183 |
| Subordinated bonds | 60,405 | - | - | - | 60,405 |
| Other financial liabilities | 435,340 | 9,136 | 1,364 | 602 | 446,442 |
| Total financial liabilities | 2,689,885 | 1,096,500 | 168,854 | 79,459 | 4,034,698 |
| Open position | 123,877 | (9,871) | 46 | 2,111 | |

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2023 and 31 December 2022, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on 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.

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27. RISK MANAGEMENT POLICY, CONTINUED

(a) Market risk, continued

(i) Currency risk, continued

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| 20% appreciation of USD against KZT | 9,957 | (1,579) |
| 20% appreciation of EUR against KZT | (9,713) | 7 |
| 20% appreciation of other currencies against KZT | (241) | 338 |

(b) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | 895,368 | 978,693 |
| Financial instruments at FVTPL | 36,617 | 28,500 |
| Investment financial assets at FVOCI - debt financial instruments | 607,161 | 688,252 |
| Investment financial assets at amortised cost | 146,050 | 223,679 |
| Due from banks | 68,512 | 54,536 |
| Loans to customers and banks | 2,355,155 | 2,009,113 |
| Other financial assets | 30,678 | 20,605 |
| Total maximum exposure | 4,139,541 | 4,003,378 |

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 18.

The Bank calculates and monitors, on the ongoing basis, the mandatory norm of the maximum risk per one borrower or group of related borrowers, which regulates the Bank's credit risk with regard to a single borrower or group of related borrowers and determines the maximum ratio of the total liabilities of a borrower (borrowers included in the group of related borrowers) to the Bank to the Bank's equity. As at 30 June 2023 and 31 December 2022, the maximum allowable value of k-3 norm established by the NBRK was 25%. The value of k-3 norm calculated by the Bank as at 30 June 2023 (unaudited) and 31 December 2022 was in compliance with the statutory norm.

As at 30 June 2023 and 31 December 2022, the Group did not have debtors or groups of connected debtors, where credit risk exposure exceeded 10% maximum credit risk exposure.

(c) Liquidity risk

The following tables show analysis of financial assets and liabilities grouped according to the principle of period remaining from the balance sheet date till maturity date, except for the financial assets through profit or loss and investment financial assets at fair value through other comprehensive income that have been classified as 'on demand and less than 1 month' as they may be realised, as necessary, at any time.

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27. RISK MANAGEMENT POLICY, CONTINUED

(c) Liquidity risk, continued

| 30 June 2023 (unaudited) | Weighted average effective interest rate | On demand and up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | 30 June 2023 Total |
|--|---|--------------------------------|------------------------|-----------------------|----------------------|----------------------|--------------------------|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 6.43% | 534,208 | 135,813 | - | - | - | 670,021 |
| Financial instruments at FVTPL | 10.35% | 34,726 | - | - | - | - | 34,726 |
| Investment financial assets at FVOCI | 11.06% | 575,766 | - | - | 27,277 | 4,118 | 607,161 |
| Investment financial assets at amortised cost | 3.7% | 53,200 | - | 17,553 | 69,595 | 5,702 | 146,050 |
| Loans to customers and banks | 17.36% | 123,654 | 128,688 | 426,511 | 971,637 | 704,116 | 2,354,606 |
| Total interest-bearing financial assets | | 1,321,554 | 264,501 | 444,064 | 1,068,509 | 713,936 | 3,812,564 |
| Cash and cash equivalents | | 402,658 | - | - | - | - | 402,658 |
| Financial instruments at FVTPL | | 6,756 | - | - | - | - | 6,756 |
| Investment financial assets at FVOCI | | 163 | - | - | - | - | 163 |
| Due from banks | | 68,512 | - | - | - | - | 68,512 |
| Loans to customers and banks | | - | - | 549 | - | - | 549 |
| Other financial assets | | 29,126 | - | 1,552 | - | - | 30,678 |
| Total financial assets | | 1,828,769 | 264,501 | 446,165 | 1,068,509 | 713,936 | 4,321,880 |
| Financial liabilities | | | | | | | |
| Due to banks and financial institutions | 5.36% | 26,220 | 1,695 | 8,705 | 22,376 | 57,511 | 116,507 |
| Customer accounts | 9.74% | 303,842 | 426,510 | 1,177,396 | 452,829 | 18,552 | 2,379,129 |
| Debt securities issued | 12.30% | - | - | - | 72,231 | 5,182 | 77,413 |
| Subordinated bonds | 12.81% | - | - | 3,408 | 29,733 | 29,252 | 62,393 |
| Other financial liabilities | 3.07% | 3,029 | 5,551 | 13,457 | 83,993 | 319,385 | 425,415 |
| Total interest-bearing liabilities | | 333,091 | 433,756 | 1,202,966 | 661,162 | 429,882 | 3,060,857 |
| Due to banks and financial institutions | | 25,830 | - | - | - | - | 25,830 |
| Customer accounts | | 984,625 | 1,391 | 5,211 | 1,274 | 2 | 992,503 |
| Other financial liabilities | | 74,680 | - | - | - | - | 74,680 |
| Total financial liabilities | | 1,418,226 | 435,147 | 1,208,177 | 662,436 | 429,884 | 4,153,870 |
| Liquidity gap | | 410,543 | (170,646) | (762,012) | 406,073 | 284,052 | |
| Interest sensitivity gap | | 988,463 | (169,255) | (758,902) | 407,347 | 284,054 | |
| Cumulative interest sensitivity gap | | 988,463 | 819,208 | 60,306 | 467,653 | 751,707 | |
| Interest sensitivity gap as a percentage of total interest-bearing financial assets | | 25.93% | 21.49% | 1.58% | 12.27% | 19.72% | |

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27. RISK MANAGEMENT POLICY, CONTINUED

(c) Liquidity risk, continued

| 31 December 2022 | Weighted average effective interest rate | On demand and up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | More than 5 years | 31 December 2022 Total |
|--|--|--------------------------------|------------------------|----------------------|----------------------|----------------------|------------------------------|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 7.26% | 488,939 | - | - | - | - | 488,939 |
| Financial instruments at FVTPL | 12.06% | 28,500 | - | - | - | - | 28,500 |
| Investment financial assets at FVOCI | 13.15% | 688,252 | - | - | - | - | 688,252 |
| Investment financial assets at amortised cost | 11.38% | 138,399 | - | 10,252 | 70,490 | 4,538 | 223,679 |
| Loans to customers and banks | 15.71% | 188,879 | 150,742 | 373,527 | 802,515 | 493,450 | 2,009,113 |
| Total interest-bearing financial assets | | 1,532,969 | 150,742 | 383,779 | 873,005 | 497,988 | 3,438,483 |
| Financial liabilities | | | | | | | |
| Cash and cash equivalents | | 628,281 | - | - | - | - | 628,281 |
| Financial instruments at FVTPL | | 7,468 | - | - | - | - | 7,468 |
| Investment financial assets at FVOCI | | 1,488 | - | - | - | - | 1,488 |
| Due from banks | | 54,536 | - | - | - | - | 54,536 |
| Other financial assets | | 19,053 | - | 1,552 | - | - | 20,605 |
| Total financial assets | | 2,243,795 | 150,742 | 385,331 | 873,005 | 497,988 | 4,150,861 |
| Financial liabilities | | | | | | | |
| Due to banks and financial institutions | 6.42% | 8,222 | 5,601 | 16,689 | 28,476 | 57,365 | 116,353 |
| Customer accounts | 8.70% | 270,920 | 430,564 | 960,018 | 531,785 | 15,668 | 2,208,955 |
| Debt securities issued | 10.79% | - | - | - | 80,437 | 15,746 | 96,183 |
| Subordinated bonds | 13.04% | - | - | 3,551 | 29,696 | 27,158 | 60,405 |
| Other financial liabilities | 3.07% | 2,564 | 2,707 | 12,627 | 79,685 | 308,526 | 406,109 |
| Total interest-bearing liabilities | | 281,706 | 438,872 | 992,885 | 750,079 | 424,463 | 2,888,005 |
| Due to banks and financial institutions | | 42,171 | - | - | - | - | 42,171 |
| Customer accounts | | 1,055,145 | 635 | 4,284 | 3,440 | 685 | 1,064,189 |
| Other financial liabilities | | 40,333 | - | - | - | - | 40,333 |
| Total financial liabilities | | 1,419,355 | 439,507 | 997,169 | 753,519 | 425,148 | 4,034,698 |
| Liquidity gap | | 824,440 | (288,765) | (611,838) | 119,486 | 72,840 | |
| Interest sensitivity gap | | 1,251,263 | (288,130) | (609,106) | 122,926 | 73,525 | |
| Cumulative interest sensitivity gap | | 1,251,263 | 963,133 | 354,027 | 476,953 | 550,478 | |
| Interest sensitivity gap as a percentage of total interest-bearing financial assets | | 36.39% | 28.01% | 10.3% | 13.87% | 16.01% | |

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27. RISK MANAGEMENT POLICY, CONTINUED

(c) Liquidity risk, continued

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However, management believes that despite this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will 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 will differ from contractual terms.

28. CAPITAL MANAGEMENT

The NBRK sets and monitors capital requirements for the Bank as a whole.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

- Tier 1 capital is a total of basic and additional capital. Basic capital comprises paid-in ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability, excluding deferred tax assets recognised in relation to deductible temporary differences, other revaluation reserves, gains from sales related to asset securitisation transactions, gains or losses from revaluation of financial liabilities at fair value related to change in own credit risk, regulatory adjustments to be deducted from the additional capital, but due to insufficient levels of it deducted from basic capital, and investments in financial instruments of investees not consolidated in the Group with certain limitations. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments, treasury preference shares, investments in financial instruments of investees not consolidated in the Group with certain limitations and regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.
- Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions the Bank holds 10% and more shares in.

Total capital is the sum of tier 1 and tier 2 capital.

There is a set of different limitations and classification criteria applied to the above listed 'total capital' elements.

In accordance with the current regulations set by the NBRK, the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1);
- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k2).

As at 30 June 2023, the minimum level of ratios as applicable to the Bank are as follows:

- k1 – not less than 0.075 (31 December 2022: 0.075);
- k1-2 – not less than 0.085 (31 December 2022: 0.085);
- k2 – not less than 0.1 (31 December 2022: 0.1).

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28. CAPITAL MANAGEMENT, CONTINUED

On 1 October 2019, the NBRK introduced a new regulatory capital buffer for the capitalisation ratios. The regulatory capital buffer is calculated as the ratio of positive difference between provisions calculated in accordance with the Impairment Provisioning Guidelines of bank's assets (loans and accounts receivable) to the Ratio, and provisions formed and reflected in the bank's accounting in accordance with IFRS and the requirements of the legislation of the Republic of Kazakhstan on accounting and financial reporting (the "positive difference") to the sum of assets and contingent liabilities weighted by the degree of credit risk.

As at 30 June 2023, the Bank complied with all prudential capital ratios k1, k1-2 and k2, inclusive and exclusive of the regulatory capital buffer, and the actual ratios were 0.145, 0.145 and 0.176 (31 December 2022: k1 -0.140, k1-2 -0.140 and k2 -0.179).

As at 30 June 2023, there was no regulatory buffer (31 December 2022 year: nil) and k1, k1-2 and k2 ratios, including the regulatory capital buffer were 0.075, 0.085 and 0.1, respectively (31 December 2022: 0.075, 0.085 and 0.1, respectively).

The following table shows the composition of the capital position as at 30 June 2023 calculated in accordance with the requirements established by the resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2018, No. 170 "On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank" with amendments and additions.

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Tier 1 capital | | |
| Basic capital: | 322,816 | 258,979 |
| Share capital | 65,648 | 65,648 |
| Statutory retained earnings of prior years | 225,818 | 76,966 |
| Retained earnings of current period | 60,559 | 148,852 |
| Reserves formed from statutory retained earnings of prior years | 4,981 | 4,981 |
| Revaluation surplus for buildings | - | 1,442 |
| Revaluation reserve for investment securities | (19,640) | (23,467) |
| Statutory adjustments: | | |
| Intangible assets | (14,550) | (15,443) |
| Total basic capital | 322,816 | 258,979 |
| Additional capital: | | |
| Paid-in preference share capital not satisfying basic capital requirements | 11,775 | 11,775 |
| Bank's treasury preference shares | (11,686) | (11,686) |
| Tier 1 capital | 322,905 | 259,068 |
| Tier 2 capital | | |
| Subordinated debt | 69,806 | 71,985 |
| Total tier 2 capital | 69,806 | 71,985 |
| Total capital | 392,711 | 331,053 |
| Positive difference between regulatory impairment provisions and IFRS impairment provisions | - | - |
| Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk | | |
| Credit risk-weighted assets | 1,936,264 | 1,646,345 |
| Credit risk-weighted contingent liabilities | 140,376 | 110,010 |
| Market risk-weighted assets, contingent assets and liabilities | 44,559 | 43,172 |
| Credit risk-weighted derivatives | 1,282 | - |
| Operational risk | 103,166 | 50,141 |
| Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk | 2,225,647 | 1,849,668 |
| k1 | 0.145 | 0.140 |
| k1-2 | 0.145 | 0.140 |
| k2 | 0.176 | 0.179 |

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29. CREDIT RELATED COMMITMENTS

The Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

As at 30 June 2023 and 31 December 2022, the nominal values or contractual values and risk-weighted amounts are as follows:

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|---|--------------------------|----------------------|------------------|---------------------|
| | Nominal value | Risk-weighted value* | Nominal value | Risk-weighted value |
| Guarantees issued and other similar liabilities | 176,260 | 146,071 | 149,678 | 123,138 |
| Credit card commitments | 93,965 | 18,793 | 88,495 | 17,699 |
| Letters of credit and other contingent liabilities related to other transaction | 10,174 | 2,035 | 11,336 | 2,267 |
| | 280,399 | 166,899 | 249,509 | 143,104 |

* Guarantees issued and other similar liabilities are stated net of cash collateral in the amount of KZT 30,189 million (31 December 2022: KZT 26,540 million); credit cards and letters of credit liabilities of 20% of the nominal value.

Management expects that loans and liabilities under credit facilities will be financed as required at the expense of the amounts received from repayment of the current loan portfolio according to the payment schedules.

As at 30 June 2023, the guarantees issued in the amount of KZT 169,983 million and credit card commitments in the amount of KZT 93,006 million are classified as Stage 1 of credit risk gradings (31 December 2022: KZT 116,142 million and KZT 86,700 million), KZT 5,210 million and KZT 153 million are classified as Stage 2 of credit risk gradings (31 December 2022: KZT 31,929 million and KZT 519 million, respectively), KZT 1,067 million and KZT 806 million are classified as Stage 3 of credit risk gradings (31 December 2022: KZT 1,607 million and KZT 1,276 million, respectively). Net change in provision for credit related commitments was KZT 10,019 million for the six months ended 30 June 2023 (30 June 2022: KZT 117 million).

The following table shows the guarantees issued and other similar liabilities secured by different types of collaterals and not the fair value of the collateral itself.

| | 30 June 2023 (unaudited) | 31 December 2022 |
|----------------------|-----------------------------|------------------|
| Cash | 30,189 | 26,540 |
| Real estate | 21,416 | 39,014 |
| Movable property | 35,145 | 723 |
| Corporate guarantees | 22,962 | 20,685 |
| Unsecured | 776 | 9,608 |
| Goods in turnover | 408 | 198 |
| Other | 65,364 | 52,910 |
| Total | 176,260 | 149,678 |

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30. CUSTODIAN SERVICES

The Group provides custodian services to individuals, trusts, retirement benefit plans and other institutions, whereby it accounts and holds assets or make settlements on the customers' transactions with different financial instruments at the direction of the customer. The Group receives fee income for providing these services. Assets received under custodian management are not assets of the Group and are not recognised in the consolidated interim condensed statement of financial position. The Group is not exposed to any credit risk related to such activities, as it does not guarantee these investments.

Fiduciary assets are categorised as follows based on their nominal value:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| Securities | 305,291 | 556,305 |
| Investments in buildings, machinery, equipment, transport and other property | 6,246 | 6,216 |
| Unit investment funds | 25 | 25 |
| Bank deposits | 47 | 67 |
| Total fiduciary assets | 311,609 | 562,613 |

The Group keeps accounting and prepares reporting for assets and investment funds, asset management and other legal entities and transactions with assets and makes reconciliation with the management company with regard to the assets being served, in accordance with the requirements of the legislation of the Republic of Kazakhstan and NBRK rules.

31. CONTINGENCIES

The following table shows the letters of credit issued and other contingent liabilities secured by different types of collaterals and not the fair value of the collateral itself.

| | 30 June 2023 (unaudited) | 31 December 2022 |
|-----------------------------|-----------------------------|------------------|
| Cash | 3,217 | 11,336 |
| Unsecured letters of credit | 58 | - |
| Other | 6,899 | - |
| Total | 10,174 | 11,336 |

These commitments do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

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 or the results of future operations.

(c) Taxation contingencies in Kazakhstan

The taxation system 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, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

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32. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

(a) 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 June 2023 are as follows:

| | Financial instruments at fair value through profit or loss | Financial instruments at fair value through other comprehensive income | Amortised cost | Total carrying amount | Fair value |
|---|---|---|-------------------|--------------------------|------------------|
| Cash and cash equivalents | - | - | 1,072,679 | 1,072,679 | 1,072,679 |
| Financial instruments at FVTPL | 43,373 | - | - | 43,373 | 43,373 |
| Investment financial assets at FVOCI | - | 607,324 | - | 607,324 | 607,324 |
| Investment financial assets at amortised cost | - | - | 146,050 | 146,050 | 143,109 |
| Due from banks | - | - | 68,512 | 68,512 | 68,512 |
| Loans to customers and banks | - | - | 2,355,155 | 2,355,155 | 2,316,848 |
| Other financial assets | - | - | 30,678 | 30,678 | 30,678 |
| | 43,373 | 607,324 | 3,673,074 | 4,323,771 | 4,282,523 |
| Due to banks and financial institutions | - | - | 142,337 | 142,337 | 142,337 |
| Customer accounts | - | - | 3,371,632 | 3,371,632 | 3,366,896 |
| Debt securities issued | - | - | 77,413 | 77,413 | 74,086 |
| Subordinated bonds | - | - | 62,393 | 62,393 | 60,768 |
| Other financial liabilities | - | - | 500,095 | 500,095 | 500,095 |
| | - | - | 4,153,870 | 4,153,870 | 4,144,182 |

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32. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(a) 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 2022:

| | Financial instruments at fair value through profit or loss | Financial instruments at fair value through other comprehensive income | Amortised cost | Total carrying amount | Fair value |
|---|--|--|------------------|-----------------------|------------------|
| Cash and cash equivalents | - | - | 1,117,220 | 1,117,220 | 1,117,220 |
| Financial instruments at FVTPL | 35,968 | - | - | 35,968 | 35,968 |
| Investment financial assets at FVOCI | - | 689,740 | - | 689,740 | 689,740 |
| Investment financial assets at amortised cost | - | - | 223,679 | 223,679 | 221,795 |
| Due from banks | - | - | 54,536 | 54,536 | 54,536 |
| Loans to customers and banks | - | - | 2,009,113 | 2,009,113 | 1,986,050 |
| Other financial assets | - | - | 20,605 | 20,605 | 20,605 |
| | 35,968 | 689,740 | 3,425,153 | 4,150,861 | 4,125,914 |
| Due to banks and financial institutions | - | - | 158,524 | 158,524 | 158,524 |
| Customer accounts | - | - | 3,273,144 | 3,273,144 | 3,271,245 |
| Debt securities issued | - | - | 96,183 | 96,183 | 89,134 |
| Subordinated bonds | - | - | 60,405 | 60,405 | 56,279 |
| Other financial liabilities | - | - | 446,442 | 446,442 | 446,442 |
| | - | - | 4,034,698 | 4,034,698 | 4,021,624 |

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32. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(a) Accounting classifications and fair values, continued

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 judgement, 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.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. 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 such as 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.

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

- discount rates of 5.64-20.78% and 18.93-27.64% are used for discounting future cash flows from USD- and KZT-denominated loans to corporate customers and loans to retail customers, respectively (31 December 2022: 5.36-19.78% and 17.28-28.27%, respectively);
- discount rates of 7.0%-14.64% p.a. are used for discounting future cash flows from mortgage loans issued under the '7-20-25' programme (31 December 2022: 7.0% -14.63% p.a.). The Bank applies nominal interest rates to discount future cash flows making the assumption that this government programme represents a separate market segment;
- discount rates of 0.9-14.6% and 0.9-15.56% are used to calculate expected future cash flows from KZT- and USD-denominated current accounts and deposits of corporate and retail customers, respectively (31 December 2022: 0.9-14.4% and 0.9-15.48%, respectively);
- quoted market prices are used for determination of fair value of debt securities issued.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the consolidated interim condensed statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;

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32. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(b) Fair value hierarchy, continued

- Level 2: valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for identical or similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 30 June 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|----------------|--------------|----------------|
| Non-derivative financial instruments at FVTPL – debt securities | 981 | 33,745 | - | 34,726 |
| Non-derivative financial instruments at FVTPL – equity securities | 1,393 | 5,363 | - | 6,756 |
| Investment financial assets at FVOCI - debt financial instruments | 32,226 | 569,128 | 5,807 | 607,161 |
| Investment financial assets at FVOCI - equity financial instruments | - | 163 | - | 163 |
| | 34,600 | 608,399 | 5,807 | 648,806 |

The table below analyses financial instruments measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|----------------|---------------|----------------|
| Non-derivative financial instruments at FVTPL – debt securities | 2,262 | 26,238 | - | 28,500 |
| Non-derivative financial instruments at FVTPL – equity securities | - | 7,468 | - | 7,468 |
| Investment financial assets at FVOCI - debt financial instruments | 30,793 | 645,174 | 12,285 | 688,252 |
| Investment financial assets at FVOCI - equity financial instruments | - | 1,488 | - | 1,488 |
| | 33,055 | 680,368 | 12,285 | 725,708 |

The following table shows a reconciliation for the six months ended 30 June 2023 for fair value measurements in Level 3 of the fair value hierarchy:

| | KZT million (unaudited) |
|----------------------------------|----------------------------|
| Balance at 1 January 2023 | 12,285 |
| Net interest income | 271 |
| Interest received | (176) |
| Repayments | (6,706) |
| Net gain on change in fair value | 133 |
| Balance at 30 June 2023 | 5,807 |

During the year ended 31 December 2022, securities of Russian issuers were transferred to Level 3 of the fair value hierarchy, where significant inputs used in making those estimates, previously observable, became unobservable: these securities were listed on the stock exchange and observable transactions with those securities on an arm's length basis were conducted.

The table below sets out information about significant unobservable inputs used at year end in the measuring fair value of net assets categorised as Level 3 in the fair value hierarchy as at 30 June 2023, together with a sensitivity analysis for shifts in these inputs which the Bank considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

| | Fair value of financial assets KZT'000 | Valuation technique | Significant unobservable inputs | Reasonable shift | Sensitivity analysis of fair value to unobservable inputs |
|-----------------------------|--|---|---------------------------------------|---------------------|---|
| 30 June 2023 (unaudited) | 5,807 | Cash price method of securities database | Bid-ask spreads | +/-10.0% | 581 |

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32. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2023 (unaudited):

| | Level 1 | Level 2 | Level 3 | Total fair values | Total carrying amount |
|---|---------|-----------|---------|-------------------|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents | - | 1,072,679 | - | 1,072,679 | 1,072,679 |
| Investment financial assets at amortised cost | 35,653 | 107,456 | - | 143,109 | 146,050 |
| Due from banks | - | 68,512 | - | 68,512 | 68,512 |
| Loans to customers and banks | - | 2,266,975 | 49,873 | 2,316,848 | 2,355,155 |
| Other financial assets | - | 30,678 | - | 30,678 | 30,678 |
| Liabilities | | | | | |
| Due to banks and financial institutions | - | 142,337 | - | 142,337 | 142,337 |
| Customer accounts | - | 3,366,896 | - | 3,366,896 | 3,371,632 |
| Debt securities issued | - | 74,086 | - | 74,086 | 77,413 |
| Subordinated bonds | - | 60,768 | - | 60,768 | 62,393 |
| Other financial liabilities | - | 500,095 | - | 500,095 | 500,095 |

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

| | Level 1 | Level 2 | Level 3 | Total fair values | Total carrying amount |
|---|---------|-----------|---------|-------------------|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents | - | 1,117,220 | - | 1,117,220 | 1,117,220 |
| Investment financial assets at amortised cost | 36,425 | 185,370 | - | 221,795 | 223,679 |
| Due from banks | - | 54,536 | - | 54,536 | 54,536 |
| Loans to customers and banks | - | 1,925,339 | 60,711 | 1,986,050 | 2,009,113 |
| Other financial assets | - | 20,605 | - | 20,605 | 20,605 |
| Liabilities | | | | | |
| Due to banks and financial institutions | - | 158,524 | - | 158,524 | 158,524 |
| Customer accounts | - | 3,271,245 | - | 3,271,245 | 3,273,144 |
| Debt securities issued | - | 89,134 | - | 89,134 | 96,183 |
| Subordinated bonds | - | 56,279 | - | 56,279 | 60,405 |
| Other financial liabilities | - | 446,442 | - | 446,442 | 446,442 |

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33. RELATED PARTY TRANSACTIONS

Mr. B.R. Baiseitov is an ultimate controlling party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below:

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|---|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Related party transactions | Average nominal interest rate | Related party transactions | Average nominal interest rate |
| Loans to customers and banks, gross | 25,284 | | 25,922 | |
| - key management personnel of the Group | | | | |
| - <i>in KZT</i> | 78 | 10.69% | 34 | 8.10% |
| - close relatives of key management personnel | | | | |
| - <i>in KZT</i> | 26 | 19.24% | 50 | 7.10% |
| - entities under common control | | | | |
| - <i>in USD</i> | 23,946 | 5.00% | 24,482 | 5.00% |
| - <i>in KZT</i> | 1,234 | 14.00% | 1,356 | 12.84% |
| Provision for losses on loans to customers and banks | (18,587) | | (15,116) | |
| - entities under common control | (18,857) | | (15,116) | |
| Customer accounts | 5,886 | | 4,836 | |
| - key management personnel of the Group | | | | |
| - <i>in KZT</i> | 362 | 13.47% | 361 | 13.20% |
| - <i>in USD</i> | 443 | 0.75% | 534 | 0.76% |
| - <i>in other currencies</i> | 57 | | 31 | |
| - close relatives of key management personnel | | | | |
| - <i>in USD</i> | 137 | 0.75% | 432 | 0.75% |
| - <i>in KZT</i> | 2,757 | 14.50% | 3,167 | 14.40% |
| - <i>in other currencies</i> | 12 | 1.2% | 23 | 1.20% |
| - other | | | | |
| - <i>in EUR</i> | 3 | 4.98% | 3 | 4.98% |
| - <i>in KZT</i> | 268 | 11.24% | 146 | 10.8% |
| - <i>in USD</i> | 1,823 | 1.5% | 139 | 2.1% |
| - <i>in other currencies</i> | 24 | - | - | - |

Secured and unsecured loans and guarantees are issued to key management personnel and other related parties in the ordinary course of business. These loans are issued mostly on the same terms, including interest rates, that are used in other similar transactions with the persons of similar status or, if applicable, with other companies and employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Amounts deposited by the Group's key management personnel and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

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(in millions of Kazakhstani tenge, unless otherwise stated)

33. RELATED PARTY TRANSACTIONS, CONTINUED

Included in the consolidated interim condensed statement of profit or loss for the six months ended 30 June 2023 and 2022 are the following amounts which arose due to transactions with related parties:

| | The six months ended 30 June 2023 (unaudited) | The six months ended 30 June 2022 (unaudited) |
|---|--|--|
| Interest income | 392 | 834 |
| - key management personnel of the Group | 2 | - |
| - close relatives of key management personnel | - | 1 |
| - entities under common control | 390 | 833 |
| Interest expense | (302) | (148) |
| - key management personnel of the Group | (44) | (43) |
| - close relatives of key management personnel | (208) | (105) |
| - other | (50) | |
| Expected credit loss allowance on loans to customers and banks | (3,704) | (669) |
| - entities under common control | (3,704) | (669) |
| Operating expenses | (663) | (316) |
| - key management personnel of the Group | (663) | (316) |

Key management personnel remuneration for the six months ended 30 June 2023 and 2022 represent short-term employee benefits. Total remuneration of members of the Board of Directors and the Management Board amounted to KZT 663 million, unaudited and KZT 316 million, for the six months ended 30 June 2023 and 2022, respectively.

34. SUBSEQUENT EVENTS

In August 2023, the Bank exchanged 55,000 preferred shares of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”) for common shares. As a result of the exchange, the Bank's share in the authorized capital of JSC “Insurance Company “Sinoasia B&R” (“Sinoasia B&R”) increased from 90.1% to 92.5%.