centercredit

JOINT STOCK COMPANY
BANK CENTERCREDIT

Consolidated Financial Statements
for the year ended 31 December 2022

Contents

KPMG

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
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180 Dostyk Avenue, Almaty,
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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Joint Stock Company Bank CenterCredit and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Expected credit losses (ECL) for loans to customers	
Please refer to the Notes 3 (n), 5 and 18 in the consolidated financial statements.	
The key audit matter	***How the matter was addressed in our audit***
Loans to customers and banks represent 46% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. The Group applies ECL valuation models, which require management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of expected cash flows forecast for Stage 3 loans, including key assumptions on collateral realisation periods. Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risks management. To analyse adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate, we performed the following procedures: - For loans to corporate clients we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages. - For a sample of loans to corporate clients, for which a potential change in ECL estimate may have a significant impact on the consolidated financial statements we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. - For a sample of Stage 3 loans to corporate clients, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realisable collateral and their expected disposal terms based on our understanding and publicly available market information. - For loans to individuals we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems. - For loans to customers allocated to Stages 1 and 2, for which ECL allowance is assessed collectively, we tested the design of the related PD and LGD models, and agree input data to underlying documents on a sample basis. - We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2022 with actual results for 2022. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Acquisition of the subsidiary Eco Center Bank JSC (former SB Alfa-Bank JSC)	
Please refer to the Notes 3, 4, 5 in the consolidated financial statements.	
The key audit matter	***How the matter was addressed in our audit***
On 27 April 2022, the Group entered into an agreement for the purchase and sale of a 100% interest in share capital of SB Alfa-Bank JSC for a total amount of KZT 50,000 million. The method of acquisition in accordance with IFRS 3 requires management to measure the fair value of the identifiable assets of SB Alfa-Bank JSC as at the date of acquisition, which requires significant professional judgement. Management engaged an independent valuation expert to assist management with this measurement. Because of the need to apply accounting judgments and estimates in accounting for acquisition of SB Alfa-Bank JSC, this area is a key audit matter.	We reviewed the contract documentation related to acquisition of SB Alfa-Bank JSC to confirm our understanding of this transaction. We verified the fair value measurement of identifiable assets and assumed liabilities as determined by an independent valuation expert and engaged our valuation specialists to analyse the methods and assumptions used. For significant items of assets and liabilities we tested the valuation techniques and assumptions used to estimate the fair value by comparing with available market information. We also recalculated, on a sample basis, the fair value of certain items of assets and liabilities. We critically assessed whether management had appropriately identified all assets acquired and liabilities assumed, in determining the resulting gain on acquisition. We also assessed whether the consolidated financial statements disclosures appropriately reflect the recognition of acquisition of a subsidiary, including disclosures related to significant accounting judgements and estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2022, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2022 year is expected to be made available to us after the date of this auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. MФ-0000096 of 27 August 2012

KPMG Audit LLC
State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

5 April 2023

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Interest income calculated using the effective interest rate method		282,862	145,778
Other interest income		3,029	2,504
Interest expense		(150,645)	(80,980)
Net interest income before expected credit loss allowance on interest-bearing assets	6	**135,246**	**67,302**
Expected credit loss allowance on loans to customers and banks	7	(41,687)	(27,390)
Net interest income		**93,559**	**39,912**
Fee and commission income	8	48,708	28,088
Fee and commission expense	8	(20,715)	(11,278)
Net fee and commission income		**27,993**	**16,810**
Net (loss)/gain on financial instruments at fair value through profit or loss	9	(6,266)	4,787
Net gain on sale and repayment of financial assets measured at fair value through other comprehensive income		358	1,501
Net foreign exchange gain	10	56,148	9,222
Expected credit loss allowance on other financial assets and due from banks		(1,412)	(1,592)
Charge of provision for credit related commitments	30	(6,577)	(446)
Impairment loss on other non-financial assets	20	(3,122)	-
Other expenses	20	(4,723)	(2,130)
Net non-interest income		**62,399**	**28,152**

Explanatory notes as set out on pages 16 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Operating income		155,958	68,064
Operating expenses	11	(88,334)	(46,589)
Operating income before income tax		**67,624**	**21,475**
Bargain purchase gain	4	84,222	-
Profit before corporate income tax expense		**151,846**	**21,475**
Income tax expense	12	(6,717)	(830)
Profit for the year		**145,129**	**20,645**
Earnings per share			
Basic (KZT)	13	791.34	114.86
Diluted (KZT)	13	790.94	114.87

The consolidated financial statements as set out on pages 8 to 100 were approved by Management Board on 5 April 2023 and were signed on its behalf by:

R.V. Vladimirov **Chairman of the Management Board, (President)**	**R.B. Tenizov** **First Deputy Chairman of the Management Board, Member of the Management Board (First Vice President)**	**A.T. Nurgaliyeva** **Chief Accountant**
5 April 2023 **Almaty, Kazakhstan**	**5 April 2023** **Almaty, Kazakhstan**	**5 April 2023** **Almaty, Kazakhstan**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Year ended 31 December 2022	Year ended 31 December 2021
PROFIT FOR THE YEAR	**145,129**	**20,645**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Revaluation of land and buildings	-	-
Items that are or may be reclassified subsequently to profit or loss:		
Net gain resulting on revaluation of investment securities during the period (net of tax)	(21,854)	(1,812)
Reclassification adjustment relating to investment securities disposed of during the period (net of tax – KZT nil)	(358)	(1,501)
Total items that are or may be reclassified subsequently to profit or loss	*(22,212)*	*(3,313)*
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**(22,212)**	**(3,313)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**122,917**	**17,332**

The consolidated financial statements as set out on pages 8 to 100 were approved by Management Board on 5 April 2023 and were signed on its behalf by:

R.V. Vladimirov
Chairman of the Management Board, (President)

5 April 2023
Almaty, Kazakhstan

R.B. Tenizov
First Deputy Chairman of the Management Board, Member of the Management Board (First Vice President)

5 April 2023
Almaty, Kazakhstan

A.T. Nurgaliyeva
Chief Accountant

5 April 2023
Almaty, Kazakhstan

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS:			
Cash and cash equivalents	14	1,117,220	261,492
Financial instruments at fair value through profit or loss			
Held by the Group	15	*27,580*	*22,809*
Pledged under sale and repurchase agreement	15	*8,388*	*10,276*
Investment securities			
Held by the Group	16	*837,101*	*444,014*
Pledged under loans from banks	16	*76,318*	*31,136*
Due from banks	17	54,536	12,997
Loans to customers and banks	18		
Loans to corporate customers		*731,754*	*497,745*
Loans to retail customers		*1,277,359*	*640,956*
Current income tax assets		525	221
Property, plant and equipment and intangible assets	19	65,163	37,324
Other assets	20	128,022	120,334
TOTAL ASSETS		**4,323,966**	**2,079,304**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	21	158,524	65,647
Customer accounts	22		
Due to corporate customers		*1,357,726*	*571,586*
Due to retail customers		*1,915,418*	*782,121*
Debt securities issued	23	96,183	108,074
Deferred income tax liabilities	11	11,620	11,789
Subordinated bonds	24	60,405	63,877
Other liabilities	25	450,239	325,398
TOTAL LIABILITIES		**4,050,115**	**1,928,492**
EQUITY:			
Equity attributable to owners of the Parent Bank:			
Share capital	26	63,676	63,554
Fair value reserve for securities		(23,321)	(1,109)
Property revaluation reserve		2,127	3,455
Retained earnings		231,369	84,912
Total equity		**273,851**	**150,812**
TOTAL LIABILITIES AND EQUITY		**4,323,966**	**2,079,304**
Book value per ordinary share (KZT)	13	1,397	793
Book value per preference share (KZT)	13	232	284

The consolidated financial statements as set out on pages 8 to 100 were approved by Management Board on 5 April 2023 and were signed on its behalf by:

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5 April 2023 **Almaty, Kazakhstan**	**5 April 2023** **Almaty, Kazakhstan**	**5 April 2023** **Almaty, Kazakhstan**

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Kazakhstani tenge unless otherwise stated)

	Share capital	Fair value reserve	Revaluation of property, plant and equipment	Retained earnings	Total equity
Balance at 1 January 2021	**61,760**	**2,204**	**4,773**	**62,949**	**131,686**
Total comprehensive income					
Profit for the year	-	-	-	20,645	20,645
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value	-	(3,313)	-	-	(3,313)
Total items that are or may be reclassified subsequently to profit or loss	-	(3,313)	-	-	(3,313)
Total other comprehensive income	-	(3,313)	-	-	(3,313)
Total comprehensive income for the year	**-**	**(3,313)**	**-**	**20,645**	**17,332**
Other movements in equity					
Transfer of the amount from revaluation resulting from depreciation and disposal	-	-	(1,318)	1,318	-
Total other movements in equity	**-**	**-**	**(1,318)**	**1,318**	**-**
Transactions with owners recorded directly in equity					
Treasury shares issued (Note 26)	2,411	-	-	-	2,411
Treasury shares purchased (Note 26)	(617)	-	-	-	(617)
Total transactions with owners	**1,794**	**-**	**-**	**-**	**1,794**
Balance at 31 December 2021	**63,554**	**(1,109)**	**3,455**	**84,912**	**150,812**

Explanatory notes as set out on pages 16 to 100 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Kazakhstani tenge unless otherwise stated)

	Share capital	Fair value reserve	Revaluation of property, plant and equipment	Retained earnings	Total equity
Balance at 1 January 2022	**63,554**	**(1,109)**	**3,455**	**84,912**	**150,812**
Total comprehensive income					
Profit for the year	-	-	-	145,129	145,129
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Net change in fair value		(22,212)	-	-	(22,212)
Total items that are or may be reclassified subsequently to profit or loss	-	(22,212)	-	-	(22,212)
Total other comprehensive income	-	(22,212)	-	-	(22,212)
Total comprehensive income for the year	**-**	**(22,212)**	**-**	**145,129**	**122,917**
Other movements in equity					
Transfer of the amount from revaluation resulting from depreciation and disposal	-	-	(1,328)	1,328	-
Total other movements in equity	**-**	**-**	**(1,328)**	**1,328**	**-**
Transactions with owners recorded directly in equity					
Treasury shares issued (Note 26)	122	-	-	-	122
Total transactions with owners	**122**	**-**	**-**	**-**	**122**
Balance at 31 December 2022	**63,676**	**(23,321)**	**2,127**	**231,369**	**273,851**

The consolidated financial statements as set out on pages 8 to 100 were approved by Management Board on 5 April 2023 and were signed on its behalf by:

R.V. Vladimirov
Chairman of the Management Board, (President)

5 April 2023
Almaty, Kazakhstan

R.B. Tenizov
First Deputy Chairman of the Management Board, Member of the Management Board (First Vice President)

5 April 2023
Almaty, Kazakhstan

A.T. Nurgaliyeva
Chief Accountant

5 April 2023
Almaty, Kazakhstan

Explanatory notes as set out on pages 16 to 100 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Kazakhstani tenge unless otherwise stated)

	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	264,329	143,924
Interest paid	(136,888)	(77,268)
Services fee and commission received	49,425	29,567
Services fee and commission paid	(19,249)	(10,365)
Net (payments on)/proceeds from derivative instrument transactions	(5,835)	3,725
Net foreign exchange gain	46,422	6,651
Other expenses/(income) payments/(receipts)	(3,534)	792
Operating expenses paid	(78,849)	(41,959)
Cash flow from operating activities before changes in operating assets and liabilities	**115,821**	**55,067**
Change in operating assets:		
Financial instruments measured at fair value through profit or loss	(3,314)	(6,054)
Due from banks	(48,013)	50,662
Loans to customers and banks	(469,889)	(61,773)
Other assets	14,113	6,318
Change in operating liabilities:		
Due to banks and financial institutions	90,741	(60,999)
Customer accounts	1,635,698	152,147
Other liabilities	14,039	(1,426)
Cash flows from operating activities before tax	**1,349,196**	**133,942**
Income tax paid	(6,886)	-
Net cash flows from operating activities	**1,342,310**	**133,942**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash and cash equivalents acquired due to business combination	38,408	-
Acquisition of subsidiary	(50,000)	-
Proceeds from repayment and sale of investment securities	2,495,144	632,373
Acquisition of investment securities	(2,946,158)	(785,371)
Acquisition of property, plant and equipment and intangible assets	(14,943)	(4,606)
Proceeds from sale of property, plant and equipment	105	800
Net cash flows used in investing activities	**(477,444)**	**(156,804)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(in millions of Kazakhstani tenge unless otherwise stated)

	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from treasury shares issued, net	122	1,795
Proceeds from debt securities issued	13,879	5,300
Repurchase and repayment of debt securities issued	(29,040)	(8,418)
Repayment of subordinated bonds	(5,000)	-
Repayment of lease liabilities	(251)	-
Net cash flows used in financing activities	**(20,290)**	**(1,323)**
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents	11,152	6,347
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**855,728**	**(17,838)**
CASH AND CASH EQUIVALENTS, beginning of the year	261,492	279,330
CASH AND CASH EQUIVALENTS, end of the year (Note 14)	**1,117,220**	**261,492**

The consolidated financial statements as set out on pages 8 to 100 were approved by Management Board on 5 April 2023 and were signed on its behalf by:

R.V. Vladimirov
Chairman of the Management Board, (President)

5 April 2023
Almaty, Kazakhstan

R.B. Tenizov
First Deputy Chairman of the Management Board, Member of the Management Board (First Vice President)

5 April 2023
Almaty, Kazakhstan

A.T. Nurgaliyeva
Chief Accountant

5 April 2023
Almaty, Kazakhstan

(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 "AFM") is a regulatory authority of the Bank. The Bank conducts its business under the license number 1.2.25/195/34, renewed on 3 February 2020.

The Bank's principal activity consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and 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 31 December 2022, the Bank had 20 branches in the Republic of Kazakhstan (31 December 2021: 19 branches).

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

		Ownership interest		
Name	**Country of operation**	**31 December 2022**	**31 December 2021**	**Activity**
Center Project LLP (formerly "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

As at 31 December 2022 and 2021, the number of ordinary shares was allocated as follows:

	31 December 2022 %	31 December 2021 %
B.R. Baiseitov	49.04	50.16
V.S. Lee	11.29	11.55
D.R. Amankulov	3.47	3.55
Other (individually hold less than 5%)	36.20	34.74
	100.00	**100.00**

During 2021, as part of the additional capitalisation, the Bank placed 8,019,136 ordinary shares for the amount of KZT 2,405,740,800.

The consolidated financial statements were authorised for issue by the Management Board of JSC Bank CenterCredit on 5 April 2023.

Acquisition of Eco Center Bank JSC (former "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 the legal entity was carried out and the name of SB Alfa-Bank JSC was changed into Eco Center Bank JSC.

On 5 September 2022, in accordance with the deed of transfer, the rights and obligations, resulting from the restructuring in the form of a merger of Eco Center Bank JSC to JSC Bank CenterCredit, were transferred.

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. In addition, the depreciation of the Kazakhstan tenge and a reduction in the global price of oil increase 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 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

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS Standards).

(b) Basis of measurement

The consolidated 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 revaluation property 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 financial statements.

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

(d) Use of estimates and judgements

In preparing these consolidated 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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(g)(i);

(in millions of Kazakhstani tenge unless otherwise stated)

2. BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgements, continued

Judgements, continued

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 5.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the consolidated financial statements for the year ended 31 December 2022 is included in the following notes:

- estimates of fair value of identifiable assets and liabilities of JSC Eco Center Bank at the date of acquisition – Note 4;
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 5;
- estimates of impairment of loans to customers – Note 18;
- estimates of fair value of foreclosed collateral – Note 20;
- estimates of fair value of financial assets and liabilities for disclosure purposes – Note 33.

(e) Comparative information

Comparative information is adjusted to conform to changes in presentation of the consolidated financial statements in the year ended 31 December 2022.

Reclassifications in the annual financial statements for the previous year

While preparing the consolidated financial statements of the Group for the year ended 31 December 2022, management made certain classifications which affected comparative information, for the purpose of presentation of the financial statements for the year ended 31 December 2022.

The interest income and interest expense line items reflect the effect of recognition of interest income on mortgage loans issued, which was disclosed separately (continuing involvement in the asset, see Note 18(g)), and interest expense on the obligation related to continuing involvement under the 'Baspana' and 'Baspana Hit' programmes (see Note 18(g) and 25).

The effects from reclassifications on the corresponding figures may be as follows:

	As previously reported	Effect of reclassification/ adjustment	As reclassified
Consolidated Statement of Profit and Loss			
Interest income calculated using the effective interest method	137,752	8,026	145,778
Interest expense	(72,954)	(8,026)	(80,980)
Consolidated Statement of Financial Position as at 31 December 2021			
Due from banks	6,570	6,427	12,997
Other assets	126,761	(6,427)	120,334
Consolidated Statement of Cash Flows for the year ended 31 December 2021			
Cash flows from operating activities			
Interest received	135,898	8,026	143,924
Interest paid	(69,242)	(8,026)	(77,268)
Due from banks	57,089	(6,427)	50,662
Other assets	(109)	6,427	6,318
Net cash flows from operating activities	**133,942**	**-**	**133,942**

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire), plus the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Combination of entities or businesses under common control

IFRS 3 excludes from its requirement 'a combination of entities or businesses under common control'. For the purpose of the exemption, a business combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination', and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group.

In a business combination involving entities or businesses under common control, the assets and liabilities of the entity acquired under common control are recognised in the host (i.e. the Group) financial statements at their carrying amounts as at the date of transfer. The host (i.e. the Group) is taken to be the highest level reporting entity over which financial information of the acquired entity was consolidated.

Any difference between the carrying amount of net assets upon initial acquisition of a company under common control, and the consideration paid is recognised in equity in the financial statements of the Group.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(iv) Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Bank. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of profit and loss and other comprehensive income.

(c) Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see clause (n).

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit and loss includes:

(in millions of Kazakhstani tenge unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Interest income and expense, continued

Presentation, continued

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Other interest income presented in the consolidated statement of profit and loss includes interest income on non-derivative debt financial instruments measured at FVTPL.

Interest expense presented in the consolidated statement of profit and loss includes interest expense on financial liabilities measured at amortised cost.

(d) Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(c)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

The contract with a customer, which resulted in a financial instrument recognised in the consolidated financial statements of the Group may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Group first applies IFRS 9 to separate and measure the part of the contract, which is within the scope of IFRS 9 and then applies IFRS 15 to the remaining part of this contract.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation to foreign currencies are recognised in profit and loss, except for differences arising on translation of available-for-sale equity instruments, with exception of foreign currency differences arising from impairment of such instruments, in which case foreign currency differences classified as other comprehensive income will be reclassified to profit and loss.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2022	31 December 2021
KZT/EUR	492.86	489.10
KZT/USD	462.65	431.80

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(g) Financial instruments

(i) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(i) Classification, continued

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(i) Classification, continued

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets – subsequent measurement, gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the NBRK key rate, if the loan agreement entitles the Group to do so.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogises to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- inclusion of conversion feature.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(ii) Modification of financial assets and financial liabilities, continued

Financial assets, continued

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Group further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(n)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(c)).

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. Examples of such transaction are the contracts of rights of claims to loans signed with Kazakhstan Sustainability Fund JSC (Note 17).

If the Group continues recognising asset to the extent of its continuing involvement, the Group also recognises a related liability. Transferred asset and liability related to it are measured on the basis, which reflects those rights and liabilities, which the Group has retained. An asset-related liability is measured so that the net carrying amount of the transferred asset and liability related to it represent an amortised cost of the rights and liabilities retained by the Group.

The Group continues recognising income arising on the transferred asset to the extent of its continuing involvement and recognises expense incurred on the associated liability.

If the transferred asset is measured at amortised cost, the associated financial liability may not be designated as at fair value through profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(iv) Fair value measurement principles, continued

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

(v) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within balances and loans from banks and financial institutions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans to customers and banks. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the reverse repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(h) Due from banks, loans to customers and banks

'Due from banks' and 'Loans to customers and banks' captions in the consolidated statement of financial position include:

- due from banks and loans to customers and banks measured at amortised cost (see Note 3(g)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(i) Investment securities

The 'debt securities' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

(j) Property, plant and equipment and intangible assets

(i) Owned assets

Items of propertyand equipment are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses, except for buildings and constructions, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Buildings and constructions are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on the buildings falling within the category "Buildings and constructions" is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on the buildings falling within the category "Buildings and constructions" is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) Property, plant and equipment and intangible assets, continued

(ii) Intangible assets

Acquired intangible assets are stated at cost in the consolidated financial statements less accumulated amortisation and impairment losses.

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

(iii) Depreciation and amortisation

Depreciation on property, plant and equipment and amortisation of intangible assets is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

Depreciation is charged at the following annual rates:

Buildings and other constructions	1.00-2.50%
Furniture and computer equipment	5.60-20.00%
Intangible assets	6.67-100.00%

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is initially recognised at the cost of acquisition, including acquisition costs. Subsequently, the investment property is recognised at cost net of accumulated depreciation and impairment loss. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives range from 10 to 40 years.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Therefore, such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell.

(m) Due to banks and financial institutions, deposits and customer accounts, debt securities issued and subordinated bonds

Due to banks and other financial institutions, deposits and customer accounts, debt securities issued and subordinated bonds are initially measured at fair value minus incremental direct transaction costs, and subsequently are measured at their amortised cost using the effective interest method.

(n) Impairment of assets

See also Note 5.

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitments issued.

No impairment loss is recognised on equity investments.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Impairment of assets, continued

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 5).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assetsat FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Impairment of assets, continued

Credit-impaired financial assets, continued

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be credit-impaired unless there was evidence that the risk of not receiving contractual cash flows has reduced significantly and there was no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for expected credit losses in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component (loan issued). Any excess of the loss allowance over the gross amount of the drawn component (loan issued) is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the consolidated statement of profit and loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Impairment of assets, continued

Write-offs, continued

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

Non-financial assets, other than deferred taxes, are reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss only is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in consolidated financial statements. An impairment loss in respect of goodwill is not reversed.

Accounts receivable under the joint cooperation agreement were measured at fair value as at the signing date (Note 20).

(o) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount of such liability is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Financial guarantees contracts and loan commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. *Subsequently they are measure*d at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments the Group recognises loss allowance.

(q) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Preference shares

Preference share capital that is non-redeemable and carries no mandatory dividends is classified as equity.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(q) Share capital, continued

(iv) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends on ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(r) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of goodwill not deductible for tax purposes;
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjected for reversal of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Republic of Kazakhstan, the Group may not offset tax losses and current tax assets against taxable profits and current tax liabilities of other companies of the Group. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(s) Segment reporting

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

(t) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external and internal financing sources and makes certain adjustments, if necessary, to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The lease term of the contracts valid during the reporting period ends within 12 months of the date of initial application, such leases do not contain extension options, and the Group will not be subject to significant economic penalties, if the Group fails to extend lease for the subsequent 12-month term.

(u) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*;
- *IFRS 17 Insurance Contracts;*

(in millions of Kazakhstani tenge unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(u) New standards and interpretations not yet adopted, continued

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

Amendments to the Standards effective from 1 January 2022 have not had an effect on the Group's financial statements.

4. BUSINESS COMBINATION

Acquisition of Eco Center Bank JSC (former 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 J C. On 5 May 2022, the Group took control over SB Alfa-Bank JSC through purchase of 100% of ordinary shares, after approval by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (hereinafter - "ARDFM").

On 13 May SB Alfa-Bank JSC was officially renamed into Eco Center Bank JSC (SB Bank CenterCredit JSC) *(Note 1)*.

Eco Center Bank JSC provided retail and corporate banking services on the territory of 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 Eco Center Bank JSC 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 value of the identifiable assets and liabilities acquired, as well as the bargain purchase gain arising from acquisition of Eco Center Bank JSC on 5 May 2022, amounted to:

Fair value of Eco Center Bank JSC as at the acquisition date	***At 5 May 2022***
Assets	
Cash and cash equivalents	38,408
Loans to banks	4,271
Loans to customers	202,373
Current year tax liability	763
Property, plant 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 Eco Center Bank JSC 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**

(in millions of Kazakhstani tenge unless otherwise stated)

4. BUSINESS COMBINATION, CONTINUED

Bargain purchase gain, continued

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

Assets acquired	Valuation technique
Loans to customers	Discounted cash flows technique 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. Bank CenterCredit JSC's weighted average rates for issuing loans were used as market rates and compared with NBRK data. Fair value of loans to customers categorised into Stage 3 of credit risk 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'	Market comparison technique and income approach: 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 assets acquired were as follows.

Liabilities assumed	Valuation technique
Debt securities issued	Discounted cash flows technique 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	Discounted cash flows technique The fair value of amounts due from banks and other financial institutions was estimated using 'Discounted cash flows' method (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 methods and assumptions used to determine the fair value of the Group's financial instruments at the acquisition date were substantially consistent with the fair value estimation techniques described in Note 33.

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

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 amounts of gross contractual amounts and expected uncollectable amounts related to them at the acquisition date are as following:

- 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 consolidated financial statements of the Group for the year ended 31 December 2022.

5 FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL

See accounting policy in Note 3(n).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses the following three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD) (depending on the related group of risk of the financial instrument the movement of 100-200% increase in PD results is significant increase in credit risk);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of borrower files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	• Payment record – this includes overdue status as well as a range of variables about payment ratios.
• Data from credit reference agencies, press articles, changes in external credit ratings;	• Utilisation of the granted limit. • Requests for and granting of forbearance.
• Quoted bond and credit default swap (CDS) prices for the issuer where available;	• Existing and forecast changes in business, financial and economic conditions.
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For majority of exposures, key macro-economic indicator is likely to be GDP growth.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary depending on different types of lending, in particular between corporate and retail, as well as by portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. Credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, it is determined that there are the objective factors resulting in deterioration of financial and economic position of the counteragent. When determining whether credit risk has increased significantly, remaining lifetime ECLs are adjusted for changes in maturity.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list, restructuring feature that results in transfer to Stage 3. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for inter-bank mounts owe and securities, more than 7 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Group determines a probation period during which the financial asset is required to demonstrated good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- credit risk exposures are not generally transferred directly from a portfolio for which a loss allowance is recognised in the amount of 12-month ECL measurement (Stage 1) to portfolio of credit-impaired assets (Stage 3);
- there is no unwarranted volatility in value of allowance for expected credit losses from transfers of credit risk exposure from the portfolio, for which allowance for expected credit losses is recognised in the amount of 12-month ECL (Stage 1) to the portfolio, under which allowance for expected credit losses is recognised in the lifetime ECL (Stage 2).

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(g)(ii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new originated loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at the recognition date).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(n)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group will consider indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same borrower to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is also based on the information obtained from external sources.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key driver is GDP forecasts.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Measurement of expected credit losses (ECL)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The Group generally estimates these parameters based on statistics models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated separately for each loan portfolio, based on Roll Rate model (Markov chains) applied to the loan portfolios with similar credit risk characteristics. The probability of transition of loan portfolio segment from one 'past due' stage to stage 3 (default) is determined with the use of migration matrices based on historical data. Depth of historical data has to be a least 60 periods. Adjustment to average transition matrix will be made, with macroeconomic factors taken into account, by adding standard normal distribution of an average matrix of each segment and z-criterion of macroeconomic factor. A macroeconomic factor is GDP growth. Official statistics data (official websites of regulatory authority, statistics agencies of the Republic of Kazakhstan) are used as inputs for estimates with macroeconomic factors taken into account. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure as at the date of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation of discounts and premiums. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments and financial guarantees, the EAD includes both the recovered amount and potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit assets segmentation;
- restructuring indicators.

(in millions of Kazakhstani tenge unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Measurement of expected credit losses (ECL), continued

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

			External benchmarks used	
	Carrying amount 31 December 2022	**Carrying amount 31 December 2021**	**PD**	**LGD**
Cash and cash equivalents	1,117,220	261,492		70%;
Due from banks	54,536	12,997	Moody's default study	0% - if the Government of the Republic of Kazakhstan acts as a counterparty
Investment securities	913,419	475,150	Moody's default study	LGD for investment securities, whose issuers are financial institutions is equal to 70%, for other companies LGD is based on the history of recovery rates depending on rating; 0% - if the Government of the Republic of Kazakhstan acts as a counterparty

(in millions of Kazakhstani tenge unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income as at 31 December 2022 and 31 December 2021. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: Stage 1, Stage 2, Stage 3, and POCI are included in Note 3(n).

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Life-time ECL for credit-impaired assets	Total
Cash and cash equivalents				
- 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**
Investment securities measured at amortised cost				
- rated 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**
Investment securities measured at fair value through other comprehensive income - debt				
- rated AAA	31,580	-	-	31,580
- rated from BBB- to BBB+	640,336	-	-	640,336
- rated from BB- to BB+	4,051	-	-	4,051
- not rated	-	12,474	-	12,474
Total investment securities measured at fair value through other comprehensive income - debt	**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**
Due from banks				
- 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**

(in millions of Kazakhstani tenge unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Measurement of expected credit losses (ECL), continued

	31 December 2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL for assets not credit-impaired**	**Stage 3 Life-time ECL for credit-impaired assets**	**Originated credit-impaired financial assets (POCI- assets)**	**Total**
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 repo agreements	**74,020**	**-**	**-**	**-**	**74,020**

(in millions of Kazakhstani tenge unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Measurement of expected credit losses (ECL), continued

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Life-time ECL for credit-impaired assets	Total
Cash and cash equivalents				
- rated from AA- to AA+	6,478	-	-	6,478
- rated from A- to A+	23,754	-	-	23,754
- rated from BBB- to BBB+	181,541	-	-	181,541
- rated from BB- to BB+	1,792	-	-	1,792
- rated from B- to B+	832	-	-	832
- not rated	870	-	-	870
	215,267	-	-	**215,267**
Loss allowance	(63)	-	-	(63)
Total cash and cash equivalents (less cash on hand)	**215,204**	-	-	**215,204**
Investment securities measured at amortised cost				
- rated AAA	7,188	-	-	7,188
- rated from BBB- to BBB+	8,881	-	-	8,881
	16,069	-	-	**16,069**
Loss allowance	-	-	-	-
Total investment securities measured at amortised cost	**16,069**	-	-	**16,069**
Investment securities measured at fair value through other comprehensive income - debt				
- rated AAA	28,416	-	-	28,416
- rated from BBB- to BBB+	417,259	-	-	417,259
- rated from BB- to BB+	12,839	-	-	12,839
- rated from B- to B+	3	-	-	3
Total investment securities measured at fair value through other comprehensive income - debt	**458,517**	-	-	**458,517**
Loss allowance	-	-	-	-
Gross carrying amount of investment securities measured at fair value through other comprehensive income - debt	**458,517**	-	-	**458,517**
Due from banks				
- rated from AA- to AA+	6,292	-	-	6,292
- rated from BBB- to BBB+	216	-	-	216
- not rated	6,497	-	-	6,497
	13,005	-	-	**13,005**
Loss allowance	(8)	-	-	(8)
Total due from banks	**12,997**	-	-	**12,997**

(in millions of Kazakhstani tenge unless otherwise stated)

5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Measurement of expected credit losses (ECL), continued

	31 December 2021				
	Stage 1 12-month expected credit losses	**Stage 2 Lifetime ECL for assets not credit-impaired**	**Stage 3 Life-time ECL for credit-impaired assets**	**Originated credit-impaired financial assets (POCI- assets)**	**Total**
Loans to customers at amortised cost – corporate customers					
Not overdue loans	370,616	23,108	60,227	3,017	456,968
Overdue loans					
- overdue less than 30 days	13,091	3,225	16,153	-	32,469
- overdue 31-60 days	-	231	1,223	-	1,454
- overdue 61-90 days	-	23	50	-	73
overdue 91-180 days	-	-	8,918	-	8,918
- overdue more than 180 days	-	-	30,657		30,657
	383,707	**26,587**	**117,228**	**3,017**	**530,539**
Loss allowance	(3,013)	(6,659)	(58,973)	-	(68,645)
Total loans to customers at amortised cost – corporate customers	**380,694**	**19,928**	**58,255**	**3,017**	**461,894**
Loans to customers at amortised cost – retail customers					
Not overdue loans	598,327	17,013	2,405	-	617,745
Overdue loans					
- overdue less than 30 days	4,305	1,472	214	-	5,991
- overdue 31-60 days	-	2,019	91	-	2,110
- overdue 61-90 days	-	1,303	149	-	1,452
overdue 91-180 days	-	-	2,444	-	2,444
- overdue more than 180 days	-	-	34,984	-	34,984
	602,632	**21,807**	**40,287**	**-**	**664,726**
Loss allowance	(3,692)	(563)	(19,515)	-	(23,770)
Total loans to customers at amortised cost – retail customers	**598,940**	**21,244**	**20,772**	**-**	**640,956**
Loans under reverse repurchase agreements					
Reverse repo agreements, not overdue	35,851	-	-	-	35,851
Loss allowance	-	-	-	-	-
Total loans under reverse repo agreements	**35,851**	**-**	**-**	**-**	**35,851**

(in millions of Kazakhstani tenge unless otherwise stated)

6. NET INTEREST INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income:		
Interest income on financial assets at amortised cost:		
- interest income on assets not credit-impaired	228,976	108,015
- interest income on credit-impaired assets	6,479	6,886
Interest income on financial assets at fair value through other comprehensive income	47,407	30,877
Total interest income	**282,862**	**145,778**
Interest income on financial assets at amortised cost comprises:		
Interest on loans to customers and banks	211,887	106,928
Interest on investment securities at amortised cost	5,201	901
Interest on due from banks	18,367	7,072
Total interest income on financial assets at amortised cost	**235,455**	**114,901**
Interest income on financial assets at fair value through profit or loss and investments in net finance lease	3,029	2,504
Total interest income	**285,891**	**148,282**
Interest expense:		
Interest expense on financial liabilities at amortised cost	(150,645)	(80,980)
Total interest expense	**(150,645)**	**(80,980)**
Interest expense on financial liabilities at amortised cost:		
Interest on customer accounts	(113,878)	(51,064)
Interest expense on payments to mortgage organisation	(10,758)	(8,026)
Interest on debt securities issued	(9,500)	(10,552)
Interest on due to banks and financial institutions	(8,368)	(3,878)
Interest on subordinated bonds	(7,869)	(7,460)
Lease liabilities	(272)	-
Total interest expense on financial liabilities at amortised cost	**(150,645)**	**(80,980)**
Net interest income before impairment allowance for financial assets	**135,246**	**67,302**

(in millions of Kazakhstani tenge unless otherwise stated)

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

Years ended 31 December 2021 and 2022	Corporate loans	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Car loans	Loans to banks	Total loans to customers and banks
At 1 January 2021	**84,605**	**6,526**	**5,169**	**13,837**	**4,781**	**84**	**25**	**115,027**
Charge/(reversal) of allowance*	4,165	7,418	3,822	4,633	1,004	(45)	(25)	20,972
New financial assets originated or purchased*	3,499	172	47	1,557	286	857	-	6,418
Effect of unwinding of discount**	3,147	330	30	1,126	111	-	-	4,744
Write-off of assets	(35,480)	(6,642)	(4,557)	(9,139)	(1,036)	(4)	-	(56,858)
Recovery of assets previously written-off	180	373	663	159	228	44	-	1,647
Foreign exchange difference	313	39	25	58	26	4	-	465
31 December 2021	**60,429**	**8,216**	**5,199**	**12,231**	**5,400**	**940**	**-**	**92,415**
1 January 2022	**60,429**	**8,216**	**5,199**	**12,231**	**5,400**	**940**	**-**	**92,415**
Charge/(reversal) of allowance*	7,307	7,587	6,079	12,004	2,081	(787)	(116)	34,155
New financial assets originated or purchased*	1,478	1,659	640	2,116	1,318	101	220	7,532
Effect of unwinding of discount**	5,157	409	7	1,387	137	3	-	7,100
Write-off of assets	(10,869)	(11,813)	(5,703)	(3,308)	(2,507)	(62)	-	(34,262)
Recovery of assets previously written-off	307	1,143	379	148	111	44	-	2,132
Foreign exchange difference	1,661	214	168	797	167	6	-	3,013
31 December 2022	**65,470**	**7,415**	**6,769**	**25,375**	**6,707**	**245**	**104**	**112,085**

*Provisions recognised during the twelve months ended 31 December 2022 and 31 December 2021 are presented in the consolidated 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.

(in millions of Kazakhstani tenge unless otherwise stated)

8. FEE AND COMMISSION INCOME/(EXPENSE)

	Year ended 31 December 2022	Year ended 31 December 2021
Fee and commission receipts:		
Payment cards	22,487	11,269
Settlements	11,057	5,964
Cash operations	5,193	3,293
Guarantees issued	4,364	4,277
Sale of insurance policies	3,347	993
Securities purchase and sale	1,378	1,043
Custody activities	269	333
Currency conversion	160	-
Documentary operations	115	52
Trust operations	76	193
Internet banking services	46	49
Other	216	622
Total fee and commission receipts	**48,708**	**28,088**
Payment cards	(15,954)	(9,438)
Settlements	(2,241)	(969)
Foreign exchange conversion	(704)	(96)
Custody activities	(260)	(127)
Securities purchase and sale	(153)	(85)
Documentary operations	(146)	(119)
Other	(1,257)	(444)
Total fee and commission payments	**(20,715)**	**(11,278)**
	27,993	**16,810**

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 the point in time or over time as the Group satisfies its performance obligation under the contract:

- The fees and commission for settlement operations, cash operations, payment card operations, Internet-banking services, foreign exchange operations is charged for the execution of payment order 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 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 December 2022	31 December 2021
Receivables which are included in 'other assets' (Note 20)	4,715	5,432

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

	Year ended 31 December 2022	Year ended 31 December 2021
Realised gain on trading operations	134	1,103
Unrealised gain on derivative financial instruments	162	5
Unrealised (loss)/gain on change in fair value	(593)	1,044
Realised (loss)/gain on derivative financial instruments	(5,969)	2,635
	(6,266)	**4,787**

10. NET FOREIGN EXCHANGE GAIN

	Year ended 31 December 2022	Year ended 31 December 2021
Dealing operations, net	46,422	6,651
Foreign currency exchange differences, net	9,726	2,571
	56,148	**9,222**

(in millions of Kazakhstani tenge unless otherwise stated)

11. OPERATING EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	46,198	22,482
Taxes other than income tax	8,362	4,524
Depreciation and amortisation	7,258	3,686
Administrative expenses	5,397	3,325
Short-term lease expenses	5,193	3,746
Contributions to Deposit Insurance Fund	3,261	2,904
Telecommunications	2,480	1,532
Equipment repair and maintenance	1,914	686
Advertising	1,693	696
Security and alarming expenses	1,627	1,101
Professional services	856	384
Cash collection	758	594
Business travel expenses	439	256
Representation expenses	82	88
Other expenses	2,816	585
	88,334	**46,589**

12. INCOME TAX EXPENSE

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax expense	5,531	-
Movement in deferred tax liabilities due to origination and reversal of temporary differences and movement in loss allowance	1,186	830
Total income tax expense	**6,717**	**830**

During 2022, the applicable tax rate for current and deferred tax is 20% (2021: 20%).

Reconciliation of effective tax rate for the year ended 31 December

	2022	%	2021	%
Profit before income tax	**151,846**		**21,475**	
Income tax at the applicable income tax rate	30,369	20.00	4,295	20.00
Non-taxable interest and other income on transactions with state and other qualified securities	(10,916)	(7.19)	(4,419)	(20.58)
Non-taxable gain from bargain purchase of subsidiary	(16,865)	(11.11)		
Non-deductible operating and other expenses	4,129	2.72	954	4.44
	6,717	**4.42**	**830**	**3.86**

(in millions of Kazakhstani tenge unless otherwise stated)

12. INCOME TAX EXPENSE, CONTINUED

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2022 and 31 2021.

Movements in temporary differences during 2022 and 2021 are presented as follows.

	Balance at 1 January 2022	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2022
Accrued interest payable	16	19	-	35
Investment securities measured at fair value through other comprehensive income	173	-	1,090	1,263
Tax loss carry-forward	1,123	(1,123)	-	-
Other	353	(59)	-	294
Effect of modification of financial assets	182	(111)	-	71
Discount on loans to customers	52	(80)	-	(28)
Discount on low-interest customer accounts	(2,491)	(246)	-	(2,737)
Discount on subordinated bonds	(6,905)	287	-	(6,618)
Payroll fund	-	763	-	763
Right-of-use asset	-	82	-	82
Right-of-use liability	-	(10)	-	(10)
Property, plant and equipment and intangible assets	(4,292)	(708)	265	(4,735)
	(11,789)	**(1,186)**	**1,355**	**(11,620)**

	Balance at 1 January 2021	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2021
Accrued interest payable	27	(11)	-	16
Investment securities measured at fair value through other comprehensive income	(204)	-	377	173
Tax loss carry-forward	1,123	-	-	1,123
Other	281	72	-	353
Effect of modification of financial assets	157	25	-	182
Discount on loans to customers	94	(42)	-	52
Discount on low-interest customer accounts	(1,619)	(872)	-	(2,491)
Discount on subordinated bonds	(7,155)	250	-	(6,905)
Property, plant and equipment and intangible assets	(4,304)	(252)	264	(4,292)
	(11,600)	**(830)**	**641**	**(11,789)**

(in millions of Kazakhstani tenge unless otherwise stated)

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 by the weighted average number of participating shares outstanding during the period.

	Year ended 31 December 2022	Year ended 31 December 2021
Basic earnings per share		
Net profit attributable to the Bank's shareholders	145,129	20,645
Less: additional dividends payable upon full distribution of profit to the preference shareholders	(13)	(13)
Net earnings attributable to ordinary shareholders	**145,116**	**20,632**
Weighted average number of ordinary shares for purposes of basic earnings per share	183,379,202	179,627,165
Basic earnings per share (in KZT)	**791.34**	**114.86**
Diluted earnings per share		
Net earnings attributable to ordinary shareholders	145,116	20,632
Add: additional dividends payable upon full distributions of profit to the preference shareholders	13	13
Earnings used in calculation of diluted earnings per share	145,129	20,645
Weighted average number of ordinary shares	183,379,202	179,627,165
Shares deemed to be issued:		
Weighted average number of ordinary shares that would be issued for the convertible preference shares	109,602	101,905
Weighted average number of ordinary shares for purposes of diluted earnings per share	183,488,804	179,729,070
Diluted earnings per share (in KZT)	**790.94**	**114.87**

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 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022			31 December 2021		
Types of shares	**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	184,722,599	258,124	1,397	182,503,334	144,637	793
Preference shares	146,382	34	232	123,141	35	284
		258,158			**144,672**	

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 net asset value of the Group 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. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorised and issued net of repurchased shares by the Group as at the reporting date.

The management of the Group believes that the Group fully complies with the requirement of KASE as at the reporting date.

(in millions of Kazakhstani tenge unless otherwise stated)

14. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	**138,527**	**46,288**
Nostro accounts with NBRK	**411,235**	**102,884**
Nostro accounts with other banks		
- rated from AA- to AA+	17,609	6,478
- rated A- to A+	39,792	23,754
- rated from BBB- to BBB+	4,172	3,596
- rated from BB- to BB+	950	1,792
- rated B- to B+	94	832
- not rated	15,965	870
Total gross nostro accounts with other banks	**78,582**	**37,322**
Loss allowance	(63)	(63)
Total nostro accounts with other banks	**78,519**	**37,259**
Term deposits with NBRK	**488,939**	**75,061**
Total cash and cash equivalents	**1,117,220**	**261,492**

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

All cash and cash equivalents are allocated into Stage 1 of the credit risk grade.

Current account balances with other non-rated banks comprise mainly balances of KZT 14,939 million on current accounts with Russian banks included in the sanctions list. 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, there are no restrictions for withdrawal of these cash balances from such accounts.

As at 31 December 2022, the Group has accounts with one bank (31 December 2021: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 900,174 (31 December 2021: 177,945 million).

Minimum reserve requirements

As at 31 December 2022 and 31 December 2021 minimum reserve requirements are calculated in accordance with regulations issued by 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 31 December 2022 the minimum reserve requirements amounted to KZT 56,473 million (31 December 2021: KZT 20,214 million) and reserve asset amounted to KZT 55,390 million (31 December 2021: KZT 33,888 million).

(in millions of Kazakhstani tenge unless otherwise stated)

15. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	Nominal interest rate, %	31 December 2022	Nominal interest rate, %	31 December 2021
Trading securities				
Debt securities				
Government bonds of the Republic of Kazakhstan	3.87-9.00	1,907	3.87-9.00	865
Corporate bonds	3.63-21.00	18,205	2.95-18.00	17,334
*Equity securities**				
Shares of Kazakhstani companies		2,674		2,685
Shares of International companies		64		635
Equity stakes		4,730		1,290
		27,580		**22,809**
Pledged under sale and repurchase agreements				
- Government bonds of the Republic of Kazakhstan		-	7.68-8.45	2,406
- Corporate bonds	8.50-12.40	8,388	3.88-12.00	6,802
- Shares		-		1,068
		8,388		**10,276**
		35,968		**33,085**

* Ownership interest in equity 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 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**

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 2021:

	Corporate bonds	Government bonds of the Republic of Kazakhstan	Total
- rated from BBB- to BBB+	11,084	3,271	14,355
- rated from BB- to BB+	8,282	-	8,282
- rated from B- to B+	3,559	-	3,559
- rated from A- to A+	88	-	88
- not rated	1,123	-	1,123
	24,136	**3,271**	**27,407**

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

(in millions of Kazakhstani tenge unless otherwise stated)

16. INVESTMENT SECURITIES

	31 December 2022	31 December 2021
Investment securities at fair value through other comprehensive income	689,740	459,081
Investment financial assets at amortised cost	223,679	16,069
Total investment securities	**913,419**	**475,150**

Investment securities at fair value through other comprehensive income

	Nominal interest rate, %	31 December 2022	Nominal interest rate, %	31 December 2021
Debt securities				
Government bonds of the Republic of Kazakhstan	5-11.0	287,945	5.0-11.0	180,852
Corporate bonds	2.13-11.5	116,045	2.11-11.5	118,832
The NBRK discount notes		247,543		134,155
Equity securities				
Shares of the Kazakhstani companies		1,463		540
Shares of international companies		25		24
Pledged under bank loans				
Government bonds of the Republic of Kazakhstan	7.1-10.5	13,231		-
The US Treasury bills	2.1-2.2	23,677	2.5	24,678
		689,929		**459,081**
Allowance for expected credit losses		(189)		-
		689,740		**459,081**

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

Investment securities at amortised cost

	Nominal interest rate, %	31 December 2022	Nominal interest rate, %	31 December 2021
Debt securities				
Government bonds of the Republic of Kazakhstan	0.60-8.4	36,302	3.88-5.00	5,413
Corporate bonds	1.25-4.8	9,559	2.12-11.00	2,998
The NBRK discount notes		138,415		1,200
		184,276		**9,611**
Pledged under bank loans				
Government bonds of the Republic of Kazakhstan	8.4	1,092		
The US Treasury bills	1.25-2.22	38,318	2.12	6,458
		39,410		**6,458**
Allowance for expected credit losses		(7)		-
		223,679		**16,069**

17. DUE FROM BANKS

	31 December 2022	31 December 2021
Due from banks comprise:		
- contingent deposit with the NBRK	2,173	216
- rated from AA- to AA+	18,562	6,292
- rated from A- to A+	6,575	-
- not rated	27,236	6,497
Due from banks before allowance for expected credit losses	**54,546**	**13,005**
Allowance for expected credit losses	(10)	(8)
Total due from banks	**54,536**	**12,997**

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 31 December 2022 and 2021, all due from banks are classified into Stage 1 of the credit risk grading.

As at 31 December 2022, a contingent deposit with the NBRK comprises funds of KZT 329 million (31 December 2021: KZT 157 million) received from Development Bank of Kazakhstan JSC ("DBK JSC") and KZT 1,844 million (31 December 2021: KZT 59 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.

(in millions of Kazakhstani tenge unless otherwise stated)

17. DUE FROM BANKS, CONTINUED

Due from banks and other financial institutions, not rated

As at 31 December 2022, balances of deposits held with other financial institutions, that are not rated, comprise security deposits and margin protection at KASE, for a total of KZT 23,133 million (31 December 2021: KZT 6,497 million).

Concentration of accounts and deposits with banks

As at 31 December 2022, the Group has no banks (2021: no banks) whose balances exceed 10% of equity.

18. LOANS TO CUSTOMERS AND BANKS

	31 December 2022	31 December 2021
Loans to customers	1,992,170	1,158,382
Accrued interest	41,180	36,883
	2,033,350	**1,195,265**
Less credit loss allowance	(111,981)	(92,415)
Total loans to customers	**1,921,369**	**1,102,850**
Loans to banks	13,719	-
Accrued interest	109	-
Less credit loss allowance	(104)	-
Total loans to banks	**13,724**	-
Loans under reverse repurchase agreements	**74,020**	**35,851**
Total loans to customers and banks	**2,009,113**	**1,138,701**

Movement in credit loss allowance for loans to customers and banks for the twelve months ended 31 December 2022 and 31 December 2021 is disclosed in Note 7.

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**

The following table provides information by types of loan products as at 31 December 2021:

	Gross amount	Loss allowance	Carrying amount
Loans to corporate customers			
Corporate loans	402,485	(60,429)	342,056
Small- and medium-sized enterprises	128,054	(8,216)	119,838
Loans to individuals			
Mortgage loans (including mortgage loans under the '7-20-25' programme and the Baspana Hit programme)	410,596	(5,199)	405,397
Consumer loans	123,912	(12,231)	111,681
Business development	86,559	(5,400)	81,159
Auto loans	43,659	(940)	42,719
	1,195,265	**(92,415)**	**1,102,850**

(in millions of Kazakhstani tenge unless otherwise stated)

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 31 December 2022:

	Corporate loans	Small- and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Auto loans	Total
Loans to customers							
Not overdue	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**

(in millions of Kazakhstani tenge unless otherwise stated)

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 2021:

	Corporate loans	Small- and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Auto loans	Total
Loans to customers							
Not overdue	346,151	110,817	397,926	102,903	73,595	43,321	1,074,713
Overdue loans:							
- overdue less than 30 days	31,836	633	2,009	2,659	1,168	155	38,460
- overdue 31-60 days	-	1,454	550	1,002	520	38	3,564
- overdue 61-90 days	-	73	436	739	274	3	1,525
- overdue 91-180 days	7,161	1,757	504	1,390	534	16	11,362
- overdue more than 180 days	17,337	13,320	9,171	15,219	10,468	126	65,641
Total loans to customers before loss allowance for expected credit losses	**402,485**	**128,054**	**410,596**	**123,912**	**86,559**	**43,659**	**1,195,265**
Allowance for expected credit losses	(60,429)	(8,216)	(5,199)	(12,231)	(5,400)	(940)	(92,415)
Total loans to customers net of allowance for expected credit losses	**342,056**	**119,838**	**405,397**	**111,681**	**81,159**	**42,719**	**1,102,850**

(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 31 December 2022, management made the following key assumptions to estimate impairment allowance for loans to corporate customers classified into Stage 3 of credit risk grading:

- estimate by management of expected operating cash flows for a number of borrowers, whose operating activities have not ceased;
- estimate by management of a value of collateral as at the date of sale and timing of anticipated receipts: a delay of 36 - 60 months in obtaining proceeds from the foreclosure of collateral;
- for some borrowers recorded in Stage 3, the potential investors and partners are expected to be attracted to increase the operating cash flows sufficient to repay a debt to the Group.

Loans recorded in Stage 3 were included in the Action Plan based on results of AQR, which comprises measures aimed at rehabilitation of the borrowers, repayment at the expense of sale of collateral and foreclosure under the court decision. In accordance with the Plan, the Group expects that debts according to the agreed list of borrowers will be repaid during the five years. Under this Plan, the Group provides to the regulator the Plan progress reports on a quarterly basis.

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

	The twelve months ended 31 December 2022				
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on credit-impaired assets	POCI	Total
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	(934)	934	-	-	-
Transition to lifetime expected credit losses for credit-impaired assets	(942)	(1,299)	2,241	-	-
Charge of allowance*	954	3,140	10,751	49	14,894
New financial assets originated or purchased	1,180	60	1,897	-	3,137
Unwinding of discount	-	-	5,566	-	5,566
Write-off of assets	-	-	(22,682)	-	(22,682)
Recovery of assets previously written-off	-	-	1,450	-	1,450
Foreign exchange difference	93	318	1,464	-	1,875
Allowance for expected credit losses at the end of the year	**3,364**	**9,812**	**59,660**	**49**	**72,885**

	The twelve months ended 31 December 2022				
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on credit-impaired assets	POCI	Total
Loans to individuals					
Allowance for expected credit losses at the beginning of the year	**3,692**	**563**	**19,515**	**-**	**23,770**
Transition to 12-month expected credit losses	13	(8)	(5)	-	-
Transition to lifetime expected credit losses for assets not credit-impaired	(626)	635	(9)	-	-
Transition to lifetime expected credit losses for credit-impaired assets	(300)	(636)	936	-	-
Charge of allowance	3,570	2,186	13,241	380	19,377
New financial assets originated or purchased	3,848	102	225	-	4,175
Unwinding of discount	-	-	1,534	-	1,534
Write-off of assets	-	-	(11,580)	-	(11,580)
Recovery of assets previously written-off	-	-	682	-	682
Foreign exchange difference	351	72	715	-	1,138
Allowance for expected credit losses at the end of the year	**10,548**	**2,914**	**25,254**	**380**	**39,096**

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

	The twelve months ended 31 December 2021			
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on credit-impaired assets	Total
Loans to corporate customers and small- and medium-sized enterprises				
Allowance for expected credit losses at the beginning of the year	**1,212**	**5,792**	**84,127**	**91,131**
Transition to lifetime expected credit losses for assets not credit-impaired	(1)	1,935	(1,934)	-
Transition to lifetime expected credit losses for credit-impaired assets	-	(1,700)	1,700	-
Charge/(recovery) of allowance	490	110	10,983	11,583
New financial assets originated or purchased	1,298	482	1,891	3,671
Unwinding of discount	-	-	3,477	3,477
Write-off of assets	-	-	(42,122)	(42,122)
Recovery of assets previously written-off	-	-	553	553
Foreign exchange difference	14	40	298	352
Allowance for expected credit losses at the end of the year	**3,013**	**6,659**	**58,973**	**68,645**

	The twelve months ended 31 December 2021			
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on credit-impaired assets	Total
Loans to individuals				
Allowance for expected credit losses at the beginning of the year	**4,281**	**1,025**	**18,565**	**23,871**
Transition to 12-month expected credit losses	30	(17)	(13)	-
Transition to lifetime expected credit losses for assets not credit-impaired	(30)	374	(344)	-
Transition to lifetime expected credit losses for credit-impaired assets	-	(357)	357	-
Charge/(recovery) of allowance	(3,023)	(511)	12,948	9,414
New financial assets originated or purchased	2,417	46	284	2,747
Unwinding of discount	-	-	1,267	1,267
Write-off of assets	-	-	(14,736)	(14,736)
Recovery of assets previously written-off	-	-	1,094	1,094
Foreign exchange difference	17	3	93	113
Allowance for expected credit losses at the end of the year	**3,692**	**563**	**19,515**	**23,770**

Significant changes in the gross carrying amount of loans to customers during the year 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 twelve months of 2022 resulted in increase in the gross carrying amount of the portfolio of loans to corporate customers and small- and medium-sized enterprises by KZT 337,362 million, while respective increase in 12-month loss allowance amounted to KZT 3,671 million. The volume of loans received as a result of business combinations *(Note 4)* on 5 May 2022 resulted in increase in the gross carrying amount of the portfolio of loans to corporate customers and small- and medium-sized enterprises by KZT 44,651 million. The volume of loans received under the assignment contracts for rights of claim concluded with DB Alfa-Bank JSC on 9 April 2022, resulted in increase in the gross carrying amount of the portfolio of loans to corporate customers and small- and medium-sized enterprises by KZT 62,110 million.
- The volume of loans repaid during 12 months of 2022 resulted in decrease in the gross carrying amount of the portfolio of loans to corporate customers and small- and medium-sized enterprises by KZT 235,085 million, while respective decrease in 12-month loss allowance amounted to KZT 342 million.
- The write-off of loans with a gross carrying amount of KZT 22,682 million resulted in decrease in loss allowance for the Stage 3 instruments by the same amount.

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

Loans to individuals

- The volume of loans issued to customers during the twelve months of 2022 resulted in increase in the gross carrying amount of the retail segment portfolio by KZT 570,241 million, while respective increase in 12-month loss allowance amounted to KZT 4,175 million. The volume of loans received as a result of business combinations *(Note 4)* on 5 May 2022 resulted in increase in the gross carrying amount of the retail segment portfolio by KZT 157,722 million. The volume of loans received under the assignment contracts for rights of claim concluded with DB Alfa-Bank JSC on 9 April 2022, resulted in increase in the gross carrying amount of the retail segment portfolio by KZT 90,000 million.
- The volume of loans repaid during 12 months of 2022 resulted in decrease in the gross carrying amount of the retail segment portfolio by KZT 154,654 million, while respective decrease in 12-month loss allowance amounted to KZT 795 million.
- The write-off of loans with a gross carrying amount of KZT 11,580 million resulted in decrease in loss allowance for the Stage 3 instruments by the same amount.

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

Loans to corporate customers are secured by various types of collateral depending on the type of transactions. The general creditworthiness of a corporate customer and small- and medium-sized customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Group generally requests corporate borrowers and small- and medium-sized customers to provide it.

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers and small- and medium-sized enterprises (net of loss allowance) by types of collateral.

31 December 2022	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed as of the reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans to corporate customers				
Cash and deposits	18,258	18,258	-	-
Real estate	208,077	208,077	-	-
Vehicles	3,388	3,388	-	-
Equipment	47,772	47,772	-	-
Corporate guarantees	54,282	-	-	54,282
Traded securities	5,719	5,719	-	-
Goods in turnover	11,092	-	-	11,092
Mineral rights	4,540	4,540	-	-
Other collateral	4,179	-	4,179	-
Income from future contracts	8,088	-	-	8,088
No collateral or other credit enhancements	16,241	-	-	16,241
Total loans to corporate customers	**381,636**	**287,754**	**4,179**	**89,703**
Loans to small- and medium-sized enterprises				
Cash and deposits	18,153	18,153	-	-
Real estate	151,260	151,260	-	-
Vehicles	1,508	1,508	-	-
Equipment	2,909	2,909	-	-
Corporate guarantees	23,244	-	-	23,244
Goods in turnover	7,502	-	-	7,502
Other collateral	9	-	9	-
Contractual cash flows	3,152	-	-	3,152
No collateral or other credit enhancements	54,637	-	-	54,637
Total loans to small- and medium-sized enterprises	**262,374**	**173,830**	**9**	**88,535**
Total loans to corporate customers and small- and medium-sized enterprises	**644,010**	**461,584**	**4,188**	**178,238**

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

31 December 2021	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed as of the reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans to corporate customers				
Cash and deposits	1,589	1,589	-	-
Real estate	206,930	206,930	-	-
Vehicles	492	492	-	-
Equipment	41,850	41,850	-	-
Corporate guarantees	58,940	-	-	58,940
Goods in turnover	619	-	-	619
Mineral rights	14,221	14,221	-	-
Other collateral	72	-	72	-
Income from future contracts	15,633	-	-	15,633
No collateral or other credit enhancements	1,709	-	-	1,709
Total loans to corporate customers	**342,055**	**265,082**	**72**	**76,901**
Loans to small- and medium-sized enterprises				
Cash and deposits	8,542	8,542	-	-
Real estate	97,081	97,081	-	-
Vehicles	314	314	-	-
Equipment	2,332	2,332	-	-
Corporate guarantees	6,406	-	-	6,406
Goods in turnover	382	-	-	382
Other collateral	321	-	321	-
Contractual cash flows	296	-	-	296
No collateral or other credit enhancements	4,165	-	-	4,165
Total loans to small- and medium-sized enterprises	**119,839**	**108,269**	**321**	**11,249**
Total loans to corporate customers and small- and medium-sized enterprises	**461,894**	**373,351**	**393**	**88,150**

The tables above exclude overcollateralisation. In accordance with the recommendations of the NBRK, collateral in the form of income from future contracts is not sufficient and cannot be used in estimate of allowance. As at 31 December 2022, loans to corporate customers with net carrying amount of KZT 8,088 million (31 December 2021: KZT 15,633 million) are secured by income from future contracts.

The amount recorded in the item 'No collateral or other credit enhancement' comprises unsecured loans and parts of loans, which are not fully secured.

For majority of loans the fair value of collateral was assessed at the reporting day. The Group also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined and cannot be determined. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for credit losses assessment is disclosed. Sureties received from individuals, such as shareholders of the company's borrowers, are not considered for credit losses assessment purposes.

Credit-impaired loans to corporate customers

As at 31 December 2022, the net carrying amount of credit-impaired loans to corporate customers amounted to KZT 43,382 million (2021: KZT 61,272 million) and the value of identifiable collateral (mainly commercial properties) held against those loans amounted to KZT 45,705 million (2021: KZT 61,272 million), excluding overcollaterisation. Value of collateral securing each loan is limited by the loan carrying amount.

During 2022, there was no change in the Group's collateral policy.

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(c) Analysis of collateral and other credit enhancements, continued

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Business development loans are secured by real estate. Auto loans are secured by the underlying cars. Consumer loans are usually secured by underlying property and in some cases by assets, including real estate, cash and motor vehicles.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 739 million (31 December 2021: KZT 1,884 million), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 187 million (31 December 2021: KZT 899 million).

Management believes that the fair value of collateral for mortgage loans with a net carrying amount of KZT 622,490 million (31 December 2021: KZT 403,513 million) is at least equal to the carrying amount of individual loans at the reporting date.

Auto loans

Included in auto loans are loans with a net carrying amount of KZT 2,457 million (31 December 2021: KZT 49 million), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 2,359 million (31 December 2021: KZT 7 million).

Management believes that the fair value of collateral for auto loans with a net carrying amount of KZT 146,000 million (31 December 2021: KZT 42,670 million) is at least equal to the carrying amount of individual loans at the reporting date.

Consumer loans

Included in the consumer loan portfolio are loans with a net carrying amount of KZT 208,384 million (31 December 2021: KZT 58,639 million), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 135 million (31 December 2021: KZT 696 million).

Management believes that the fair value of collateral for consumer loans with a net carrying amount of KZT 149,236 million (31 December 2021: KZT 53,042 million) is at least equal to the carrying amount of individual loans at the reporting date.

Business development

Included in the business development portfolio are loans with a net carrying amount of KZT 58,006 million (31 December 2021: KZT 18,572 million), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 34,981 million (31 December 2021: KZT 4,214 million).

Management believes that the fair value of collateral for business development loans with a net carrying amount of KZT 90,048 million (31 December 2021: KZT 90,048 million) is at least equal to the carrying amount of individual loans at the reporting date.

Credit-impaired loans to retail customers

The following table stratifies credit exposures from credit-impaired loans to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross carrying amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired loans the value of collateral is based on the most recent appraisals.

	2022	2021
Credit-impaired loans		
Loan-to-value ratio (LTV ratio)		
Less than 50%	10,473	8,361
51-70%		1,787
70%-150%	1,606	3,711
More than 150%	6,866	6,913
Total	**20,779**	**20,772**

(in millions of Kazakhstani tenge unless otherwise stated)

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(c) Analysis of collateral and other credit enhancements, continued

(ii) Loans to retail customers, continued

Repossessed collateral

During the year 2022, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 10,228 million (2021: KZT 6,191 million). As at 31 December 2022, the repossessed collateral was worth KZT 58,400 million (31 December 2021: KZT 37,986 million worth of repossessed collateral) (Note 20).

(iii) Loans to banks

	31 December 2022
- rated from BB- to BB+	1,382
- not rated (commercial banks of the Republic of Kazakhstan and the Republic of Tajikistan)	12,446
	13,828
Less loss allowance	(104)
	13,724

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

(d) Loan portfolio analysis

As at 31 December 2022, the Group has 2 borrowers or groups of related borrowers (31 December 2021: 9), whose loan balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 77,508 million (31 December 2021: KZT 230,789 million).

Industry and geographical analysis of the loan portfolio

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

	31 December 2022	31 December 2021
Individuals	1,316,455	664,726
Trade	172,317	78,912
Rent of real estate	75,035	67,761
Power engineering	74,346	59,195
Production	46,641	21,747
Oil and gas industry	39,157	55,939
Industrial construction	36,866	42,018
Housing construction	35,789	22,239
Food industry	30,709	24,731
Transportation and equipment maintenance services	28,807	52,538
Transport and telecommunications	26,311	19,431
Mining and precious metals	26,141	21,213
Metallurgy	14,060	10,821
Agriculture	10,501	16,466
Financial services	7,741	813
Machinery manufacturing	4,465	2,947
Other	88,009	33,768
Total	**2,033,350**	**1,195,265**
Allowance for expected credit losses	(111,981)	(92,415)
	1,921,369	**1,102,850**

The fair value of assets received as collateral and carrying amount of reverse repurchase agreements as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022		31 December 2021	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Government bonds of the Republic of Kazakhstan Kazakhstan	36,435	35,588	35,851	35,323
The NBRK discount notes	3,002	3,002	-	-
Corporate bonds	34,583	33,869	-	-
	74,020	**72,459**	**35,851**	**35,323**

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(e) Loan maturities

Maturities of the Bank's loan portfolio as at the reporting date is presented in Note 28 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

To realise the first initiative "New Opportunities for Each Family to Procure Housing" announced in the Address to the People by the President of the Republic of Kazakhstan "Five Social Initiatives of the President", the Programme "7-20-25 called "New Opportunities for Each Family to Procure Housing" (the "Programme") was approved by the Resolution of the NBRK dated 31 May 2018. The operator of the Programme is Kazakhstan Sustainability Fund JSC (the "Operator").

The Programme enables Kazakhstani citizens to purchase residential real estate on a primary market under more preferential terms compared to those for mortgage loans offered by second-tier banks ("STB").

The Group issues loans in accordance with the conditions of the Programme: it includes into bank loan contracts the clauses providing for the borrower's commitment and responsibility to repay a loan, establishes a repayment schedule and ensures maintaining a loan file containing information and documents in compliance with the requirements of the laws of the RK.

Once a loan has been issued, the Bank shall transfer the rights of claim on loans by providing to the Operator the documents as agreed in the contract, not more than once in 10 business days.

In accordance with the Programme and Trust Management Agreement with the Operator, the Group 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 makes 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.

The lending conditions under the Program are as follows:

- Annual nominal interest rate: 7%.
- Loan term: up to 25 years: initial instalment no less and no more than 20% of cost of collateralised housing real estate.
- Maximum cost of housing real estate acquired: KZT 25 million - for cities of Astana, Almaty, Atyrau, Aktau, and Shymkent and KZT 15 million – for other regions of the RK.
- Collateral: real estate purchased on a primary market.
- Commission for issue and servicing a loan: nil.
- To be eligible for loan under the Program, an individual must meet the following requirements:
  - be a citizen of the Republic of Kazakhstan;
  - have documentary supported income;
  - no outstanding debt on mortgage loans;
  - no owned housing real estate in the Republic of Kazakhstan, other than: dorm rooms with useful area of no more than 15 square meters per each family member; dilapidated housing which may ruin (break down) as certified by a corresponding document issued by a local executive body where such housing facility is located.

As at 31 December 2022, as many as 24,174 loans worth over KZT 315,119 million have been issued under the '7-20-25' programme (31 December 2021: as many as 15,619 loans for the amount of KZT 30,023 million).

To create more opportunities for Kazakhstan citizens to purchase own homes, on 28 December 2018, the Group launched a mortgage loan programme, named "Baspana Hit". Under this programme, loans are issued for purchasing real estate on both primary and secondary housing markets.

18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(f) Continuing involvement in the asset, continued

Lending terms under the Baspana Hit programme are as follows, continued

- An interest rate is calculated with the formula: a base rate of the National Bank of the RK + 175 basis points.
- Loan term is up to 15 years; initial instalment at least 20% of cost of acquired housing real estate.
- Maximum cost of housing real estate acquired: KZT 25 million - for cities of Astana, Almaty, Atyrau, and Aktau, and KZT 15 million – for other regions of the RK.
- To be eligible for a loan under the Program, an individual must meet the following requirements:
  - be a citizen of the Republic of Kazakhstan;
  - have documentary supported income;
  - no outstanding debt on mortgage loans.

As at 31 December 2022, as many as 14,504 loans worth over KZT 149,853 million have been issued under the Baspana Hit programme (31 December 2019: the Bank issued 15,731 loans for the amount of KZT 160,769 million). In 2021, the Baspana Hit programme was completed due to full utilisation by the second-tier banks of the limits issued.

(g) Transfer of financial assets

During 2022, the Group sold a portfolio of mortgage loans at its carrying amount, the balance of which amounted to KZT 406,109 million at the year-end (31 December 2021: KZT 311,003 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 has determined that it neither transfer nor retain substantially all the risks and rewards of ownership of the financial asset transferred; however, the Group has determined that it retains control over the assets transferred and continues recognising thereof to the extent of continuing involvement in the assets transferred. As the Group's continuing involvement takes a form of the guarantee on the asset transferred, the extent of the Group's continuing involvement is determined equal to maximum amount of consideration received that the Group has to return. The Group believes that the value of the guarantee is high enough and this guarantee will prevent the Operator from selling of the asset transferred thereto, as such sale will be impracticable.

The Group's continuing involvement in said transferred portfolio is recorded in the consolidated statement of financial position within the loans to customers in the amount of KZT 406,109 million, which is equal to the respective liability from continuing involvement, which is included in other liabilities (Note 25).

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

(in millions of Kazakhstani tenge unless otherwise stated)

19. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and constructions, and land	Furniture and equipment	Construction in progress	Right-of-use assets	Intangible assets	Total
Cost/revalued amount						
1 January 2021	**24,260**	**20,085**	**1,483**	-	**11,815**	**57,643**
Additions	-	2,103	510	-	1,993	4,606
Transfers to investment property	(1,582)	-	-	-	-	(1,582)
Internal transfers	-	97	(94)	-	-	3
Disposals	(877)	(1,925)	(1,306)	-	(366)	(4,474)
31 December 2021	**21,801**	**20,360**	**593**	-	**13,442**	**56,196**
Additions	3,390	5,858	980	-	4,715	14,943
Transfers to investment property	(233)	-	(960)	-	(173)	(1,366)
Acquisitions under business combinations *(Note 4)*	3,391	8,683	9	3,757	7,595	23,435
Internal transfers	-	12	(12)	-	-	-
Disposals	(2,000)	(1,369)	(78)	-	-	(3,447)
31 December 2022	**26,349**	**33,544**	**532**	**3,757**	**25,579**	**89,761**
Accumulated depreciation and amortisation						
1 January 2021	**(128)**	**(10,869)**	-	-	**(6,520)**	**(17,517)**
Charge for the year	(178)	(2,357)	-	-	(1,151)	(3,686)
Disposals	51	1,911	-	-	369	2,331
31 December 2021	**(255)**	**(11,315)**	-	-	**(7,302)**	**(18,872)**
Charge for the year	(455)	(3,808)	-	(411)	(2,584)	(7,258)
Disposals	335	1,197	-	-	-	1,532
31 December 2022	**(375)**	**(13,926)**	-	**(411)**	**(9,886)**	**(24,598)**
Net carrying amount						
31 December 2022	**25,974**	**19,618**	**532**	**3,346**	**15,693**	**65,163**
31 December 2021	**21,546**	**9,045**	**593**	-	**6,140**	**37,324**

Intangible assets comprise computer software, patents and licences.

The Group revalued its buildings and constructions during 2022. Evaluation was performed by independent appraisers. Independent appraisers used two approaches to measure the fair value of property and equipment – the comparative approach using the market information to measure fair value of buildings and constructions under active market is existing, and the cost approach, when no active market existed for items subject to revaluation. As at 31 December 2022 and 31 December 2021, the fair value of buildings and constructions totalled KZT 26,839 million and KZT 21,440 million, respectively. If buildings and constructions of the Group had been valued at cost, their carrying amount would have been KZT 22,883 million and KZT 17,348 million as at 31 December 2022 and 31 December 2021, respectively.

Fair values of buildings and constructions are categorised into Levels 2 and 3 of the fair value hierarchy.

(in millions of Kazakhstani tenge unless otherwise stated)

20. OTHER ASSETS

	31 December 2022	31 December 2021
Other financial assets		
Mutual settlements with international payment system (VISA International, Mastercard)	2,779	6,554
Receivables from sale of owned assets	5,462	2,243
Other receivables	8,233	3,999
Accrued commission	4,715	5,432
Western Union and other wireless transfers	1,585	431
	22,774	**18,659**
Allowance for expected credit losses	(2,169)	(1,635)
	20,605	**17,024**
Receivables measured at fair value through profit or loss	-	17,748
	20,605	**34,772**
Other non-financial assets		
Repossessed collateral	57,228	37,986
Receivables under joint arrangements	20,049	20,006
Investment property	20,441	18,963
Advances paid	10,904	7,657
Taxes receivable other than income tax	2,494	1,120
Inventories	468	24
Payment receivable for repossessed collateral	328	1,180
Other assets	7	6
	111,919	**86,942**
Allowance for expected credit losses	(4,502)	(1,380)
	107,417	**85,562**
	128,022	**120,334**

Receivables measured at fair value through profit or loss: In November 2021, the Group entered into a contract with Meadow Hills LLP to sell land plots in Almaty with a total value of KZT 18,920 million. Under the terms and conditions of the contract, land plots will be paid in instalments within two years from the date of signing of the contract. These land plots are pledged as collateral to secure accounts receivable. Management has assessed that contractual cash flows are not solely payments of principal and interest ("SPPI criterion") in respect of these receivables and classified them as measured at fair value through profit or loss. The fair value of these receivables on initial recognition was estimated as the present value of all future cash receipts, discounted at a market interest rate of 12.5% per annum.

In December 2022, the contract with Meadow Hills LLP for sale of land plots was terminated by the Bank, and the land plots were recorded in the balance sheet in repossessed collateral for a total of KZT 17,748 million.

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.

	2022	2021
Other income/(expenses)		
Income from investment property	1,923	1,274
Operating expenses related to investment property	(985)	(815)
Selling expenses on repossessed collateral	(1,795)	(1,621)
Other	(3,866)	(968)
	(4,723)	**(2,130)**

As at 31 December 2022, other financial assets of KZT 19,908 million were classified into Stage 1 of the credit risk grading (31 December 2021: KZT 17,179 million), and no financial assets are classified into Stage 2 of the credit risk grading (31 December 2021: KZT 1,262 million), and accounts receivable of KZT 2,866 million were classified to Stage 3 of the credit risk grading (31 December 2021: KZT 218 million).

(in millions of Kazakhstani tenge unless otherwise stated)

20. OTHER ASSETS, CONTINUED

Movements in allowance for expected credit losses for other financial assets are as follows:

2022	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**(107)**	**(420)**	**(1,108)**	**(1,635)**
Net remeasurement of loss allowance	107	420	(1,376)	(849)
Write-offs	-	-	315	315
Balance at 31 December	**-**	**-**	**(2,169)**	**(2,169)**

2021	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**(716)**	**(70)**	**(947)**	**(1,733)**
Net remeasurement of loss allowance	609	(350)	(1,847)	(1,588)
Write-offs	-	-	1,686	1,686
Balance at 31 December	**(107)**	**(420)**	**(1,108)**	**(1,635)**

Movements in loss allowance for other non-financial assets are as follows:

	2022	2021
Balance at 1 January	**(1,380)**	**(3,306)**
Net remeasurement of loss allowance	(3,122)	-
Write-offs	-	1,926
Balance at 31 December	**(4,502)**	**(1,380)**

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 31 December 2022, 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 31 December 2022 and 31 December 2021 amounted to KZT 21,392 million and KZT 19,851 million, respectively.

The fair value of investment property is categorised into Level 3 of the fair value hierarchy.

Included into operating lease income is rental income from investment property for the years ended 31 December 2022 and 31 December 2021, amounting to KZT 1,923 million and KZT 1,274 million, respectively. Operating expenses related to investment property from which the Group earned rental income for the years ended 31 December 2022 and 31 December 2021 amounted to KZT 985 million and KZT 815 million, respectively.

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	31 December 2022	Nominal interest rate, %	31 December 2021
Long-term loans due to banks and financial institutions	1.00-8.78	67,117	1.00-4.50	25,934
Loans due to international credit organisations	16.50-21.45	40,955	10.35-11.55	27,343
Correspondent accounts of banks		42,185	-	1,670
Loans from the NBRK	16.75	10	9.75	10
Accrued interest expense		1,619		414
		151,886		**55,371**
Loans under repurchase agreements	16.1 16.75	6,638	1.00-11.50	10,276
		158,524		**65,647**

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS, CONTINUED

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 27,719 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 2034-2037, and for a total of KZT 27,500 million at 1.0% p.a., maturing in 2052 as at 31 December 2022, and for a total of KZT 997 million at 1.5% p.a., maturing in 2023, respectively (31 December 2021: KZT 14,141 million and KZT 11,793 million, respectively). During 2022 and 2021, 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 DB Alfa-Bank JSC on 9 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 year ended 31 December 2022, the Group received long-term loans from Industrial Development Fund JSC (the "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.

Loans received from banks and financial institutions are secured by securities for a total of KZT 14,323 million (Note 16).

During the years ended 31 December 2022 and 2021, the Group received no additional tranches of long-term loans from DBK JSC. The loans have been received for further financing of large-sized enterprises ("LSE") operating in the processing industry and further financing of retail customers who purchase cars manufactured in Kazakhstan.

During 2022, the Group repaid the long-term loan from DAMU JSC in amount of KZT 856 million at bearing an interest rate of 1.0- 4.5% per annum (2021: KZT 2,890 million at 4.3-4.5% per annum).

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.

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, it 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 year ended 31 December 2022, the Group received a loan from European Bank for Reconstruction and Development JSC for a total of KZT 24,875 million, bearing the interest rates of 16.5% - 21.45% p.a. and maturing in 2025. During 2021, the Group has repaid principal and interest according to the repayment schedules, in amount of KZT 5,956 million.

During the year ended 31 December 2021, the Group received a loan from European Bank for Reconstruction and Development JSC for a total of KZT 14,934 million at 12% p.a., maturing in 2024. During 2021, the Group has repaid principal and interest according to the repayment schedules, for a total of KZT 4,614 million, and early repaid the principal amount and interest in amount of KZT 9,234 million.

Loans received from international credit organisations are collateralised by debt securities for a total of KZT 61,995 million (2021: KZT 31,136 million (Note 16).

The Bank 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 31 December 2022 and 2021, the Group was in compliance with these covenants.

(in millions of Kazakhstani tenge unless otherwise stated)

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS, CONTINUED

Loans due to international credit organisations, continued

As at 31 December 2022 and 2021, due to banks and financial institutions included loans received under repurchase agreements of KZT 8,388 million and KZT 10,276 million that were repaid in January 2022 and 2021, respectively. The fair value of assets pledged under repurchase agreements amounted to KZT 8,388 million and KZT 10,276 million as at 31 December 2022 and 2021, respectively.

Correspondent accounts of banks. As at 31 December 2022, deposits received from other banks included correspondent accounts 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 (31 December 2021: deposits received from other banks for a total of KZT 1,670 million).

22. CUSTOMER ACCOUNTS

	31 December 2022	31 December 2021
Customer accounts		
- Retail	1,915,418	782,121
- Corporate	1,357,726	571,586
	3,273,144	**1,353,707**

	31 December 2022	31 December 2021
Term deposits	2,213,791	959,235
Call deposits	1,044,745	389,522
	3,258,536	**1,348,757**
Accrued interest	14,608	4,950
	3,273,144	**1,353,707**

As at 31 December 2022, the Group has 1 customer (31 December 2021: 1 customer), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 249,721 million (31 December 2021: KZT 26,032 million).

	31 December 2022	31 December 2021
Analysis by sectors:		
Individuals	1,915,418	782,121
Trade	306,477	85,222
Construction	269,039	120,761
Social services	177,150	81,487
Education and health care	126,069	88,426
Transport and communication	113,843	36,369
Production	69,947	17,675
Metallurgy	40,798	7,312
Power engineering	37,931	19,476
Agriculture	29,062	15,496
Oil and gas industry	18,597	18,139
Machinery manufacturing	17,628	2,733
Entertainment	15,701	7,403
Insurance and pension fund activities	11,857	3,671
Fuel	8,811	6,341
Chemical production	7,222	2,453
Research and development	5,730	5,517
Public administration	2,076	2,705
Other	99,788	50,400
Total customer accounts	**3,273,144**	**1,353,707**

(in millions of Kazakhstani tenge unless otherwise stated)

23. DEBT SECURITIES ISSUED

	Currency	Issue date	Maturity date	Interest rate, %	31 December 2022	Interest rate, %	31 December 2021
Bonds issued in Kazakhstan	KZT	05/02/2008- 09/11/2021	27/12/2025- 09/11/2028	10.95-12.00	71,241	8.50-12.00	80,944
	USD	03/03/2006	Perpetual	10.79	23,962	6.19	25,734
					95,203		**106,678**
Accrued interest					980		1,396
					96,183		**108,074**

Coupons on debt securities issued are repayable semi annually; principal is repayable at maturity. Interest payment dates for perpetual instruments are: March 3, June 3, September 3, and December 3, payments are made annually.

24. SUBORDINATED BONDS

	Currency	Date of issue	Maturity date	Interest rate, %	31 December 2022	Interest rate, %	31 December 2021
Fixed rate	KZT	27/11/2009 – 03/11/2017	27/11/2024 – 03/11/2032	4.00-11.00	55,973	4.00-11.00	54,471
Floating rate	KZT	11/11/2008	11/11/2023	12.00	3,338	9.70-9.90	8,313
					59,311		**62,784**
Accrued interest					1,094		1,093
					60,405		**63,877**

Coupons on subordinated bonds are repayable every six months; principal is repayable at maturity.

Participation in the Programme of Strengthening Financial Stability of Banking Sector in the Republic of Kazakhstan

Resolution of the NBRK No.191 dated 10 October 2017 approved the Bank's participation in the Programme of Strengthening Financial Stability of Banking Sector of the Republic of Kazakhstan (the "Programme").

In accordance with the terms of the Programme, the Bank received cash from the NBRK's subsidiary – Kazakhstan Sustainability Fund JSC – by means of issue of registered coupon subordinated bonds of the Bank (the "Bonds") convertible into the Bank's ordinary shares on the terms provided for in the Bond Issue Prospectus.

The Bank is subject to restrictions (covenants) in its activities valid for 5 years from the Bonds' issue date, breach of any of each will result in the Bonds' holders exercising their rights for Bonds being converted to the Bank's ordinary shares:

- the Bank undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan;
- the Bank undertakes not to commit action intended to withdraw the Bank's assets; at that, summary of activities to be considered the withdrawal of assets is set out in the Bond Issue Prospectus.

Within the framework of the Bank's participation in the Programme, on 3 November 2017, the Bank placed Bonds at Kazakhstan Stock Exchange in the amount of KZT 60,000,000 million with 15 year maturity and coupon rate of 4.00 % p.a. and mature in 15 years. Unwinding of discount of the Bonds using a market interest rate of 13%, which was recognised as income in the consolidated statement of profit and loss at initial recognition of Bonds, amounted to KZT 34,993 million. As at 31 December 2022, the carrying amount of Bonds is KZT 27,292 million (31 December 2021: KZT 25,855 million).

(in millions of Kazakhstani tenge unless otherwise stated)

24. SUBORDINATED BONDS, CONTINUED

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Debt securities issued	Subordinated bonds	Total
Balance at 1 January 2021	**109,757**	**62,540**	**172,297**
Changes from financing cash flows			
Proceeds from debt securities issued	5,300	-	5,300
Repayment of debt securities issued	(5,163)	-	(5,163)
Redemption of debt securities issued	(3,255)	-	(3,255)
Total changes from financing cash flows	**(3,118)**	**-**	**(3,118)**
Changes in carrying amount from recognition of discount	**821**	**1,480**	**2,301**
Other changes	**598**	**(1,512)**	**(914)**
Interest expense	10,552	7,460	18,012
Interest paid	(10,536)	(6,091)	(16,627)
Balance at 31 December 2021	**108,074**	**63,877**	**171,951**

	Liabilities		
	Debt securities issued	Subordinated bonds	Total
Balance at 1 January 2022	**108,074**	**63,877**	**171,951**
Changes from financing cash flows			
Proceeds from debt securities issued	13,879	-	13,879
Repayment of debt securities issued	(25,429)	(5,000)	(30,429)
Redemption of debt securities issued	(3,611)	-	(3,611)
Total changes from financing cash flows	**(15,161)**	**(5,000)**	**(20,161)**
Proceeds from a business combination *(Note 4)*	**4,511**	**-**	**4,511**
Changes in carrying amount from recognition of discount	**(2,404)**	**1,534**	**(870)**
Other changes	**1,577**	**596**	**2,173**
Interest expense	9,236	6,335	15,571
Interest paid	(9,650)	(6,937)	(16,587)
Balance at 31 December 2022	**96,183**	**60,405**	**156,588**

25. OTHER LIABILITIES

	31 December 2022	31 December 2021
Other financial liabilities:		
Liability from continuing involvement (Note 16 (h))	406,109	311,631
Settlements on other liabilities	22,100	5,554
Liabilities under guarantees issued	7,819	4,692
Provision for guarantees and letters of credit	4,490	1,191
Lease liabilities	3,411	-
Accrued fee and commission expense	2,513	1,047
	446,442	**324,115**
Other non-financial liabilities:		
Taxes payable other than income tax	3,092	1,136
Other non-financial liabilities	705	147
Total other liabilities	**450,239**	**325,398**

(in millions of Kazakhstani tenge unless otherwise stated)

26. SHARE CAPITAL

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 2021, 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

As at 31 December 2021, 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	(1,031,130,712)	8,019,136	(5,525,701)	182,503,334
Preference shares (number of shares)	39,249,255	-	-	(39,126,114)	123,141

In March 2021, as part of additional capitalisation of the Bank, 8,019,136 authorised ordinary shares were placed for a total of KZT 2,406 million, with a placing price of KZT 300 per share. As at 31 December 2021, the Bank's share capital comprised:

	Authorised and issued share capital	Placement of authorised ordinary shares	Repurchased shares	Total
Ordinary shares	61,731	2,405	(617)	63,519
Preference shares	29	6	-	35
	61,760	2,411	(617)	63,554

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share. According to the legislation of the Republic of Kazakhstan and Bank's incorporation documents, dividends are payable on ordinary shares in the form of cash or securities of the Bank, on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with the Bank's Charter, dividend on ordinary shares are paid on the basis of financial results for the year. Distributable reserves are subject to rules and regulations of the Republic of Kazakhstan.

Terms of preference shares require that the Group pays dividends per one preference share as follows: $\mathbf{R = (b + 3.5\%) \times 300}$, where:

R – is a guaranteed amount of dividends per one preference share convertible into an ordinary share, which is calculated in tenge.

b -is a base rate of the NBRK. The base rate is determined as at the first day of the year following the year, in which dividends on preference shares were paid. In this regard, the guaranteed amount of dividends per one preference share is set at the level of not less than 12% per annum and not more than 14% per annum.

Dividends on preference shares are paid to comply with the legislation of the Republic of Kazakhstan. The legislation stipulates that joint stock companies pay the fixed guaranteed amount of the dividend on the preference shares. Under Kazakhstan law on joint stock companies, the amount of dividends paid on ordinary shares may not exceed the amount of dividends paid on preference shares. In addition, dividends on ordinary shares may not be paid until dividends on preference shares have been paid in full.

26. SHARE CAPITAL, CONTINUED

	2022	2021
	Quantity (in thousands)	Quantity (in thousands)
Preference shares at the beginning of the year	123	94
Preference shares sold/repurchased	23	29
Preference shares at the end of the year	**146**	**123**
Ordinary shares at the beginning of the year	182,503	172,250
Repurchase of treasury shares	(1,189)	(828)
Sale of treasury shares repurchased	3,409	3,062
Placement of authorised ordinary shares	-	8,019
Ordinary shares at the end of the year	**184,723**	**182,503**

Reserve capital

Until 2013, in accordance with amendments to the Resolution No. 196 "On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks" issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") dated 31 January 2011 (that became invalid in 2013), the Bank was obligated to establish a reserve capital by transferring an amount from retained earnings to provision for future expected losses.

As at 31 December 2022, reserve for general banking risks of the Bank included in retained earnings in the consolidated statement of financial position of the Group amounts to KZT 4,981 million (31 December 2021: KZT 4,981 million).

27. 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 financial statements for the year ended 31 December 2022 and 2021. The Group's reporting segments under IFRS 8 are as follows:

- Corporate banking – maintenance of settlement accounts, deposit taking, provision of overdrafts, loans and other credit facilities.
- Retail banking – provisions of private banking services, private customer current accounts, taking of savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Investment banking – financial instruments trading, money market operations, repo agreements, foreign currency and derivative products, structured financing, corporate lease and asset management services, merger and acquisitions advice, provision of Group's funding through issue of debt securities and attracting loans. This segment is responsible for redistribution of funds raised by other segments.

The accounting policies of the operating segments are consistent with those described in the summary of significant accounting policies, of these consolidated financial statements. The Board of Directors reviews discrete financial information for each of its segments, including assessment of operating income, assets and liabilities. The segments are managed primarily on the basis of their results, which do not include the effects of intragroup eliminations.

Segment assets and liabilities comprise all assets and liabilities, which account for the major portion of the consolidated statement of financial position but excluding income tax assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. All revenues and expenses are attributable only to external customers, and there are no transactions between business segments.

(in millions of Kazakhstani tenge unless otherwise stated)

27. SEGMENT REPORTING, CONTINUED

Therefore, the Group presents its business on the basis of three main segments. Information about operating segments is resented below.

	Retail banking	Corporate banking	Investing activities	Year ended 31 December 2022
Interest income calculated using the effective interest method	136,723	86,405	59,734	282,862
Other interest income	-	-	3,029	3,029
Interest expense	(74,881)	(57,055)	(18,709)	(150,645)
Charge of credit loss allowance for interest-bearing assets	(23,552)	(18,031)	(104)	(41,687)
Net non-interest income	4,259	63,973	(5,833)	62,399
Operating expenses	(24,095)	(42,648)	(21,591)	(88,334)
Profit before income tax	**18,454**	**32,644**	**16,526**	**67,624**
Gain on a bargain purchase	-	-	84,222	84,222
Profit for the year	**18,454**	**32,644**	**100,748**	**151,846**
Segment assets*	1,278,094	2,063,672	981,675	4,323,441
Segment liabilities*	1,921,196	1,965,413	151,886	4,038,495
Other segment items				
Depreciation/ amortisation expense on property and equipment and intangible assets	(2,638)	(1,628)	(2,992)	(7,258)
Loans to customers and banks	1,277,359	731,754	-	2,009,113
Customer accounts	1,915,418	1,357,726	-	3,273,144
Financial guarantees and credit related commitments	88,495	161,014	-	249,509

	Retail banking	Corporate banking	Investing activities	Year ended 31 December 2021
Interest income calculated using the effective interest method	63,420	48,545	33,813	145,778
Other interest income	-	-	2,504	2,504
Interest expense	(47,671)	(15,294)	(18,015)	(80,980)
Charge of credit loss allowance for interest-bearing assets	(12,162)	(15,228)	-	(27,390)
Net non-interest income	25,311	(370)	3,211	28,152
Operating expenses	(20,365)	(10,789)	(15,435)	(46,589)
Profit before income tax	**8,533**	**6,864**	**6,078**	**21,475**
Segment assets*	641,490	964,951	472,642	2,079,083
Segment liabilities*	783,904	896,734	236,065	1,916,703
Other segment items				
Depreciation/ amortisation expense on property and equipment and intangible assets	(1,558)	(825)	(1,303)	(3,686)
Loans to customers and banks	640,956	497,745	-	1,138,701
Customer accounts	782,121	571,586	-	1,353,707
Financial guarantees and credit related commitments	27,485	118,640	-	146,125

*- net of 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.

27. SEGMENT REPORTING, CONTINUED

Major customers

For the year ended 31 December 2022, the reporting segments have no corporate and retail customers (for the year ended 31 December 2021: no corporate and retail customers), whose income from transactions individually exceed 10% of the total income of the Group.

28. RISK MANAGEMENT POLICY

(a) Corporate governance structure

The Bank was established as an open joint-stock company in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Bank's supreme governing body is the general meeting of the shareholders, which is convened to hold the annual and extraordinary meetings. The general meeting of shareholders makes strategic decisions related to the Bank's operations.

The general meeting of shareholders determines the structure of the Board of Directors. The Board of Directors has overall responsibility for the general management of the Bank's activity.

The legislation of the Republic of Kazakhstan and Bank's Charter determine the lists of decisions, which are exclusively approved by the general shareholders' meeting and that are approved by the Board of Directors.

The Board of Directors meeting elects the Chairman of Management Board, determines the structure of the Management Board. The Bank's executive bodies are responsible for implementation of the decision made by the general meeting of shareholders and Board of Directors. The Bank's executive bodies are subordinated to the Board of Directors and general meeting of shareholders.

(b) Risk management policies and procedures

Management of risk is fundamental to the Group's business of banking and is 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.

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

As at 31 December 2021, the Group's internal documentation establishing the procedures and methodologies for identification, managing and stress-testing the Bank's significant risks, was approved by the authorised management bodies of the Group in accordance with regulations and recommendations issued by the NBRK.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and ensuring that the Group operates within established risk parameters. Risk Management function (Risk Management Group) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Risk Management function reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees, Finance and Risk Management Committee (FRMC) and Risk Management Committee (FMC). In order to facilitate efficient and effective decision-making process, the Group established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(c) 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 rates risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

FRMC, FMC manage interest rate risk and market risk thus ensuring a positive interest margin for the Group. The Department of Planning and Finance is responsible for monitoring the current financial position of the Group, and assesses the Group's sensitivity to changes in the interest rates and their impact on the Group's profitability.

The Group manages its market risk by setting open position limits in relation to portfolios of certain financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 2021 is as follows:

	2022		2021	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel fall	(5,844)	(5,844)	(2,185)	(2,185)
100 bp parallel rise	5,844	5,844	2,185	2,185

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income and through profit or loss due to changes in the interest rates, based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 150 bp symmetrical fall or rise in all yield curves, is as follows:

	2022		2021	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
150 bp parallel rise	(1,016)	(15,728)	(954)	(13,199)
150 bp parallel fall	879	15,730	1,073	16,250

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. The Risk Management Group determines limits on open currency positions and stop-loss. All limits and restrictions are approved by the Management and the Board of Directors. The Treasury Department performs monitoring of the Group's currency position with the aim to match the requirements of the NBRK.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(c) Market risk, continued

(ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	KZT	USD USD 1 = KZT 462.65	EUR EUR 1 = KZT 492.86	Other currency	31 December 2022 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	

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(c) Market risk, continued

(ii) Currency risk, continued

The Group's exposure to foreign currency exchange rate risk as at 31 December 2021 is presented in the table below:

	KZT	USD USD 1 = KZT 431.67	EUR EUR 1 = KZT487.79	Other currency	31 December 2021 Total
Financial assets:					
Cash and cash equivalents	121,020	114,970	16,089	9,413	261,492
Financial instruments at FVTPL	29,326	3,759	-	-	33,085
Investment financial assets at FVOCI	373,830	79,492	5,759	-	459,081
Investment financial assets at amortised cost	5,689	10,380	-	-	16,069
Due from banks	6,684	6,313	-	-	12,997
Loans to customers and banks	948,551	169,713	18,227	2,210	1,138,701
Other financial assets	32,568	2,006	156	42	34,772
Total financial assets	**1,517,668**	**386,633**	**40,231**	**11,665**	**1,956,197**
Financial liabilities:					
Due to banks and financial institutions	63,614	2,028	5	-	65,647
Customer accounts	944,829	358,630	39,734	10,514	1,353,707
Debt securities issued	82,171	25,903	-	-	108,074
Subordinated bonds	63,877	-	-	-	63,877
Other financial liabilities	321,380	2,257	339	139	324,115
Total financial liabilities	**1,475,871**	**388,818**	**40,078**	**10,653**	**1,915,420**
Open position	41,797	(2,185)	153	1,012	

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2022 and 2021, 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.

	2022	2021
20% appreciation of USD against KZT	(1,579)	(350)
20% appreciation of EUR against KZT	7	24
20% appreciation of other currencies against KZT	338	162

(iii) Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in an equity financial instrument.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(c) Market risk, continued

(iii) Other price risks, continued

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VAR model used by the Group is based upon a 95 percent confidence level and assumes a 60-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VAR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature.
- a 60-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- The use of a 95% confidence level does not take into account losses that may occur beyond this level. There is a five percent probability that the loss could exceed the VAR estimate;
- VAR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day.
- the VaR measure is dependent on the position and the volatility of market prices. The VAR of an unchanged position reduces if market volatility declines and vice versa.

The Group does not solely rely on its VAR calculations in its market risk measurement due to inherent risk of usage of VAR as described above. The limitations of the VAR methodology are recognised by supplementing VAR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VAR estimates of losses that could occur in respect of the portfolio of financial instruments at fair value as at 31 December is as follows:

	31 December 2022	31 December 2021
Foreign exchange risk	62	345
	62	**345**

(d) 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 Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors upon approval by the Management Board of the Bank.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;

28. RISK MANAGEMENT POLICY, CONTINUED

(d) Credit risk, continued

- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Credit applications from the corporate customers are originated by the relevant credit managers. On-site visit and financial analysis can be made either with or without participation of the credit risk department employees, depending on the authority level and borrower's rating. To comply with the statutory procedures of the regulator for generating a credit file and ensuring internal risk control, the related departments (legal department, security department and credit analysis department) provide their opinions on the project. A credit decision is made by the authorised Credit committees represented by the Credit committees at the levels of branches, regions and the Head Office. In case of review of the credit applications, which are outside of the authority and limits of the branches at the Head Office Credit committees, the Risk Management Group prepares additionally its opinion.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to ratings of international rating agencies. These models include rating models for corporate customers and scoring models for individuals and small business. The Group uses these instruments for initial measurement of credit risk and pricing of the loans issued.

Scoring models

Scoring is an automated system of customer evaluation, which processes applications from different sales channels, treats these applications and uses the strategies to make accurate decisions on loan granting. The system produces online decision, which allows to standardise and automate the process of making decisions on loan granting and reduce the operating expenses and operating risks.

The system sets the lending strategies comprising the Credit Rules, scoring models and antifraud strategies, which use the customer initial parameters and the product parameters. The input parameters for decision-making are the social and demographic, financial indicators of the customers, as well as data from external sources, such as credit bureau, telecommunication and transaction data, etc.

Credit Rules serve as an instrument for automated check of the applicants against the credit policy. These are a set of conditions, upon passing of which a subject receives a positive decision; or if there are negative indicators arise, a negative decision is made with regard to a customer. Credit Rules are developed and updated on the basis of statistical analyses and customers' behaviour in the market.

A scoring model as a statistical model used for quantitative assessment of future creditworthiness of new and existing borrowers of the Group. When scoring is used, each of the parameters inserted into scoring model has a numeric value, the sum of which represents the borrower's internal credit score. The assigned score reflects the probability of default of the borrower. Quality of scoring models is checked on the continuous basis for their compliance with international standards by assessing their effectiveness and accuracy.

Antifraud strategy includes a number of checks to prevent the fraud risks on the part of the applicant.

The scoring methodologies are tailor-made for specific products and segments and are applied during the stage of making decision on loan issuance.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(d) Credit risk, continued

Scoring models , continued

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

	31 December 2022	31 December 2021
ASSETS		
Cash and cash equivalents	978,693	215,204
Financial instruments at FVTPL	28,500	27,407
Investment financial assets at FVOCI - debt financial instruments	688,252	458,517
Investment financial assets at amortised cost	223,679	16,069
Due from banks	54,536	12,997
Loans to customers and banks	2,009,113	1,138,701
Other financial assets	20,605	34,772
Total maximum exposure	**4,003,378**	**1,903,667**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers, see Note 18.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 30.

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 31 December 2022 and 31 December 2021 the maximum allowable value of k-3 norm established by NBRK was 25%. The value of k-3 norm calculated by the Bank as at 31 December 2022 and 31 December 2021 was in compliance with the statutory norm.

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

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Group conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Group meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Group will process receivables and payables in a single settlement process or cycle.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the International Swaps and Derivatives Association ("ISDA") Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(d) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

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

Types of financial assets/ financial liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Loans to customers and banks	104,881	-	104,881	-	(36,735)	68,146
Loans under reverse repurchase agreements	74,020	-	74,020	(72,459)	-	1,561
Total financial assets	**178,901**	-	**178,901**	**(72,459)**	**(36,735)**	**69,707**
Current accounts and deposits from customers	36,735	-	36,735	(36,735)	-	-
Due to banks and financial institutions (loans under REPO agreements)	6,638	-	6,638	(6,638)	-	-
Total financial liabilities	**43,373**	-	**43,373**	**(43,373)**	-	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021:

Types of financial assets/ financial liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Loans to customers and banks	71,790	-	71,790	-	(13,970)	57,820
Loans under reverse repurchase agreements	35,851	-	35,851	(35,323)	-	528
Total financial assets	**107,641**	-	**107,641**	**(35,323)**	**(13,970)**	**58,348**
Current accounts and deposits from customers	13,970	-	13,970	(13,970)	-	-
Due to banks and financial institutions (loans under REPO agreements)	10,276	-	10,276	(10,276)	-	-
Total financial liabilities	**24,246**	-	**24,246**	**(24,246)**	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis: assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The securities pledged under repurchased agreements (Note 15) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(d) Credit risk, continued

Geographical concentration

The Finance and Risk Management Committee ("FRMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimise potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Non-OECD countries	OECD countries	31 December 2022 Total
Financial assets:				
Cash and cash equivalents	1,085,075	17,349	14,796	1,117,220
Financial instruments at FVTPL	35,348	-	620	35,968
Investment financial assets at FVOCI	646,636	12,286	30,818	689,740
Investment financial assets at amortised cost	185,361	-	38,318	223,679
Due from banks	29,999	4,043	20,494	54,536
Loans to customers and banks	2,004,801	4,312	-	2,009,113
Other financial assets	20,605	-	-	20,605
Total financial assets	**4,007,825**	**37,990**	**105,046**	**4,150,861**
Financial liabilities:				
Due to banks and financial institutions	78,406	37,876	42,242	158,524
Customer accounts	2,889,410	363,107	20,627	3,273,144
Debt securities issued	96,183	-	-	96,183
Subordinated bonds	60,405	-	-	60,405
Other financial liabilities	446,442	-	-	446,442
Total financial liabilities	**3,570,846**	**400,983**	**62,869**	**4,034,698**
Open position	**436,979**	**(362,993)**	**42,177**	

	Kazakhstan	Non-OECD countries	OECD countries	31 December 2021 Total
Financial assets:				
Cash and cash equivalents	227,547	3,468	30,477	261,492
Financial instruments at FVTPL	32,450	-	635	33,085
Investment financial assets at FVOCI	400,960	29,705	28,416	459,081
Investment financial assets at amortised cost	6,666	-	9,403	16,069
Due from banks	6,684	-	6,313	12,997
Loans to customers and banks	1,134,392	4,309	-	1,138,701
Other financial assets	34,772	-	-	34,772
Total financial assets	**1,843,471**	**37,482**	**75,244**	**1,956,197**
Financial liabilities:				
Due to banks and financial institutions	36,708	1,241	27,698	65,647
Customer accounts	1,343,713	5,828	4,166	1,353,707
Debt securities issued	82,171	-	25,903	108,074
Subordinated bonds	63,877	-	-	63,877
Other financial liabilities	324,115	-	-	324,115
Total financial liabilities	**1,850,584**	**7,069**	**57,767**	**1,915,420**
Open position	**(7,113)**	**30,413**	**17,477**	

28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. The Department of Planning and Finance determines the optimum structure of balance and limits on liquidity ratios. Gap-positions are approved by the FRMC. The Risk Management Group performs monitoring of liquidity ratios.

The liquidity management policy requires:

- liquidity risk identification and measurement;
- monitoring of liquidity risk and liquidity positions, establishment of reporting system, including prudential and management reporting;
- liquidity risk limitation, formation of the system of limits (restrictions) and early warning indicators;
- stress-testing;
- development of alternative options of liquidity planning, maintaining liquidity and funding contingency plans and their regular review;
- organisation of internal controls over liquidity risk and liquidity risk management, exercise of internal audit;
- disclosure of respective information on liquidity risk and liquidity position.

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.

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk, continued

31 December 2022	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	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**
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**	
Cumulative interest sensitivity gap as a percentage of total financial assets		**36.39%**	**28.01%**	**10.3%**	**13.87%**	**16.01%**	

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk, continued

31 December 2021	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	31 December 2021 Total
Financial assets							
Cash and cash equivalents	9.75%	75,061	-	-	-	-	75,061
Financial instruments at FVTPL	10.28%	27,298	-	-	-	-	27,298
Investment financial assets at FVOCI	7.37%	458,517	-	-	-	-	458,517
Investment financial assets at amortised cost	4.68%	1,200	-	2,268	12,601	-	16,069
Loans to customers and banks	10.76%	88,896	49,723	206,329	428,735	365,018	1,138,701
Total interest-bearing financial assets		**650,972**	**49,723**	**208,597**	**441,336**	**365,018**	**1,715,646**
Cash and cash equivalents		186,431	-	-	-	-	186,431
Financial instruments at FVTPL		5,644	-	-	-	143	5,787
Investment financial assets at FVOCI		564	-	-	-	-	564
Due from banks		12,997	-	-	-	-	12,997
Other financial assets		8,354	6,627	300	19,491	-	34,772
Total financial assets		**864,962**	**56,350**	**208,897**	**460,827**	**365,161**	**1,956,197**
Financial liabilities							
Due to banks and financial institutions	7.25%	10,277	2,289	5,876	22,197	23,337	63,976
Customer accounts	6.30%	116,035	147,231	504,474	206,383	16,127	990,250
Debt securities issued	9.36%	-	25,796	-	67,058	15,220	108,074
Subordinated bonds	12.36%	-	-	5,029	32,994	25,854	63,877
Other financial liabilities	3.07%	3,047	4,279	9,414	60,397	234,494	311,631
Total interest-bearing liabilities		**129,359**	**179,595**	**524,793**	**389,029**	**315,032**	**1,537,808**
Due to banks and financial institutions		1,671	-	-	-	-	1,671
Customer accounts		361,108	2	281	601	1,465	363,457
Other financial liabilities		12,484	-	-	-	-	12,484
Total financial liabilities		**504,622**	**179,597**	**525,074**	**389,630**	**316,497**	**1,915,420**
Liquidity gap		360,340	(123,247)	(316,177)	71,197	48,664	
Interest sensitivity gap		521,613	(129,872)	(316,196)	52,307	49,986	
Cumulative interest sensitivity gap		**521,613**	**391,741**	**75,545**	**127,852**	**177,838**	
Cumulative interest sensitivity gap as a percentage of total financial assets		**26.66%**	**20.03%**	**3.86%**	**6.54%**	**9.09%**	

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(e) 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 in spite of this early withdrawal option and the fact that a substantial portion of customer 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 customer 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.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognised in the consolidated statement of financial position under the effective interest rate method. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate yield curves at the end of the reporting period.

	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	31 December 2022 Total
Financial liabilities:						
Due to banks and financial institutions	8,228	6,407	22,385	36,681	67,180	140,881
Customer accounts	288,352	460,370	1,071,206	548,027	20,886	2,388,841
Debt securities issued	-	1,344	9,748	111,058	16,510	138,660
Subordinated bonds	-	1,108	4,689	48,214	71,620	125,631
Other financial liabilities	4,555	8,191	36,822	193,539	485,082	728,189
Total interest-bearing liabilities	**301,135**	**477,420**	**1,144,850**	**937,519**	**661,278**	**3,522,202**
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	**1,438,784**	**478,055**	**1,149,134**	**940,959**	**661,963**	**4,668,895**
Financial guarantees and commitments	249,509	-	-	-	-	249,509

(in millions of Kazakhstani tenge unless otherwise stated)

28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk, continued

	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	31 December 2021 Total
Financial liabilities:						
Due to banks and financial institutions	10,277	3,162	8,218	25,771	26,864	74,292
Customer accounts	120,760	155,370	530,297	216,558	25,118	1,048,103
Debt securities issued	-	27,557	6,908	73,570	44,053	152,088
Subordinated bonds	-	1,108	5,149	54,176	74,020	134,453
Other financial liabilities	5,913	8,731	29,057	153,050	367,150	563,901
Total interest-bearing liabilities	**136,950**	**195,928**	**579,629**	**523,125**	**537,205**	**1,972,837**
Due to banks and financial institutions	1,671	-	-	-	-	1,671
Customer accounts	361,108	2	281	601	1,465	363,457
Other financial liabilities	12,484	-	-	-	-	12,484
Total financial liabilities	**512,213**	**195,930**	**579,910**	**523,726**	**538,670**	**2,350,449**
Financial guarantees and commitments	146,125	-	-	-	-	146,125

The timing of cash outflows has been prepared on the following basis:

Prepaid liabilities

Where a financial liability can be prepaid by the counterparty, the cash outflow has been included at the earliest date on which the counterparty can require repayment regardless whether or not such early repayment results in a penalty. If the repayment of financial liability is triggered by, or is subject to, specific criteria such as market price hurdles being reached, it is included at the earliest possible date that the conditions could be fulfilled without considering probability of the conditions being met.

The financial guarantees and commitments are included in the "On demand" category because payments can be required upon request.

(f) Operational risk

Definition of operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

29. CAPITAL MANAGEMENT

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

In accordance with the 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 31 December 2022 the minimum level of ratios as applicable to the Bank are as follows:

- k1 – not less than 0.075 (31 December 2021: 0.075);
- k1-2 – not less than 0.085 (31 December 2021: 0.085);
- k2 – not less than 0.1 (31 December 2021: 0.1).

On 1 October 2019, 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 31 December 2022, 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 0.140, 0.140 and 0.179 (31 December 2021: k1 –0.128, k1-2 – 0.128 и k2 –0.198).

As at 31 December 2022, there was no regulatory buffer (31 December 2021: nil) and k1, k1-2 and k2 ratios, including the regulatory capital buffer were0.075, 0.085 and 0.1, respectively (31 December 2021: 0.075, 0.085 and 0.1, respectively).

(in millions of Kazakhstani tenge unless otherwise stated)

29. CAPITAL MANAGEMENT, CONTINUED

The following table shows the composition of the capital position as at 31 December 2022 calculated in accordance with the requirements established by the resolution of Board of 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.

	31 December 2022	31 December 2021
Tier 1 capital		
Basic capital:	**258,979**	**140,844**
Share capital	65,648	65,649
Statutory retained earnings of prior years	76,966	56,531
Retained earnings of current period	148,852	20,434
Reserves formed from statutory retained earnings of prior years	4,981	4,981
Revaluation surplus for buildings	1,442	1,442
Revaluation reserve for investment securities	(23,467)	(2,291)
Statutory adjustments:		
Intangible assets	(15,443)	(5,902)
Total basic capital	**258,979**	**140,844**
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	**259,068**	**140,933**
Tier 2 capital		
Subordinated debt	71,985	76,343
Total tier 2 capital	**71,985**	**76,343**
Total capital	**331,053**	**217,276**
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	1,646,345	948,527
Credit risk-weighted contingent liabilities	110,010	62,895
Market risk-weighted assets, contingent assets and liabilities	43,172	35,385
Operational risk	50,141	50,007
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	**1,849,668**	**1,096,814**
k1	**0.140**	**0.128**
k1-2	**0.140**	**0.128**
k2	**0.179**	**0.198**

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.

(in millions of Kazakhstani tenge unless otherwise stated)

30. CREDIT RELATED COMMITMENTS

As at 31 December 2022 and 31 December 2021, the nominal values or contractual values and risk-weighted amounts are as follows:

	31 December 2022		31 December 2021	
	Nominal value	**Risk-weighted value***	**Nominal value**	**Risk-weighted value**
Guarantees issued and other similar liabilities	149,678	96,360	112,530	68,605
Credit card commitments	88,495	17,699	27,485	5,497
Letters of credit and other contingent liabilities related to other transaction	11,336	2,267	6,110	1,222
	249,509	**116,326**	**146,125**	**75,324**

*guarantees issued and other similar liabilities are stated net of cash collateral in the amount of KZT 53,318 million (2021: KZT 43,925 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 31 December 2022, the guarantees issued in the amount of KZT 116,142 million and credit card commitments in the amount of KZT 86,700 million are classified as Stage 1 of credit risk gradings (31 December 2021: KZT 112,126 million and KZT 27,452 million), KZT 31,929 million and KZT 519 million are classified as Stage 2 of credit risk gradings (31 December 2021: KZT 215 million and KZT 10 million, respectively) and KZT 1,607 million and KZT 1,276 million are classified as Stage 3 of credit risk gradings, respectively (31 December 2021: KZT 189 million and KZT 23 million, respectively). Net change in provision for credit related commitments was KZT 6,577 million for twelve months ended 31 December 2022 (31 December 2021: KZT 446 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.

	31 December 2022	31 December 2021
Cash	53,318	43,925
Real estate	25,023	16,500
Movable property	723	40
Corporate guarantees	20,685	9,874
Unsecured	9,608	7,847
Goods in turnover	198	15
Other	40,123	34,329
Total	**149,678**	**112,530**

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.

	31 December 2022	31 December 2021
Cash	11,336	6,110
Total	**11,336**	**6,110**

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

31. 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 statement of financial position. The Group is not exposed to any credit risk related to such activities, as it does not guarantee these investments.

(in millions of Kazakhstani tenge unless otherwise stated)

31. CUSTODIAN SERVICES, CONTINUED

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

	31 December 2022	31 December 2021
Securities	556,305	326,492
Investments in buildings, machinery, equipment, transport and other property	6,216	6,048
Unit investment funds	25	25
Bank deposits	67	44
Total fiduciary assets	**562,613**	**332,609**

The Bank 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.

32. CONTINGENCIES

(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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(in millions of Kazakhstani tenge unless otherwise stated)

33. 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 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**

(in millions of Kazakhstani tenge unless otherwise stated)

33. 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 2021:

	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	-	-	261,492	261,492	261,492
Financial instruments at FVTPL	33,085	-	-	33,085	33,085
Investment financial assets at FVOCI	-	459,081	-	459,081	459,081
Investment financial assets at amortised cost	-	-	16,069	16,069	15,867
Due from banks	-	-	12,997	12,997	12,997
Loans to customers and banks	-	-	1,138,701	1,138,701	1,130,127
Other financial assets	17,748	-	17,024	34,772	34,772
	50,833	**459,081**	**1,446,283**	**1,956,197**	**1,947,421**
Due to banks and financial institutions	-	-	65,647	65,647	65,647
Customer accounts	-	-	1,353,707	1,353,707	1,354,410
Debt securities issued	-	-	108,074	108,074	98,930
Subordinated bonds	-	-	63,877	63,877	61,331
Other financial liabilities	-	-	324,115	324,115	324,115
	-	**-**	**1,915,420**	**1,915,420**	**1,904,433**

33. 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 5.36 - 19.78% and 23.35 - 28.27%, are used for discounting future cash flows from USD- and KZT-denominated loans to corporate customers and loans to retail customers, respectively (2021: 5.07 – 13.53% and 17.95 - 21.17%);

- discount rates of 7.0 - 14.63% p.a. are used for discounting future cash flows from mortgage loans issued under the '7-20-25' programme (31 December 2021: 7- 13.25% 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 - 14.4% and 0.9 - 15.48% are used to calculate expected future cash flows from KZT- and USD-denominated current accounts and deposits of corporate and retail customers, respectively (2021: 0.4 – 7.4% and 0.8 – 8.0%);

- 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 judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(in millions of Kazakhstani tenge unless otherwise stated)

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

(b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the consolidated 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;
- 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 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 fair value through profit or loss – debt securities	2,262	26,238	-	28,500
Non-derivative financial instruments at fair value through profit or loss – 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 table below analyses financial instruments measured at fair value at 31 December 2021, 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 fair value through profit or loss – debt securities	6,253	22,222	-	28,475
Non-derivative financial instruments at fair value through profit or loss – equity securities	-	4,610	-	4,610
Receivables at fair value through profit or loss	-	-	17,748	17,748
Investment financial assets at FVOCI - debt financial instruments	28,416	430,665	-	459,081
	34,669	**457,497**	**17,748**	**509,914**

The following table shows a reconciliation for the year ended 31 December 2022 for fair value measurements in Level 3 of the fair value hierarchy:

	2022
Balance at 1 January	-
Transfer from Level 1	15,387
Net interest income	620
Interest paid	(426)
Net loss on change in fair value	(3,296)
Balance at 31 December	**12,285**

(in millions of Kazakhstani tenge unless otherwise stated)

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

(b) Fair value hierarchy, continued

During the year ended 31 December 2022, securities of Russian issuers were transferred to Level 3 of the fair value hierarchy (31 December 2022: securities of Russian issuers were categorised as Level 1), where significant inputs used to make these 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. As at 31 December 2021 the Group had accounts receivable measured at fair value through profit or loss of KZT 17,748 million (Note 20).

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 31 December 2022, 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	Valuation technique	Significant unobservable inputs	Reasonable shift	Sensitivity analysis of fair value to unobservable inputs
31 December 2022	12,285	Cash price method of securities database	Bid-ask spreads	+/-10.0%	1,229

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 (see Note 3).

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 31 December 2022.

	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	221,795	-	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

(in millions of Kazakhstani tenge unless otherwise stated)

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

(b) Fair value hierarchy, continued

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 2021.

	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	261,492	-	261,492	261,492
Investment financial assets at amortised cost	15,867	-	15,867	16,069
Due from banks	12,997	-	12,997	12,997
Loans to customers and banks	1,048,719	81,408	1,130,127	1,138,701
Other financial assets	17,024	-	17,024	17,024
Liabilities				
Due to banks and financial institutions	65,647	-	65,647	65,647
Customer accounts	1,354,410	-	1,354,410	1,353,707
Debt securities issued	98,930	-	98,930	108,074
Subordinated bonds	61,331	-	61,331	63,877
Other financial liabilities	324,115	-	324,115	324,115

(in millions of Kazakhstani tenge unless otherwise stated)

34. 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:

	31 December 2022		31 December 2021	
	Related party transactions	Average nominal interest rate	Related party transactions	Average nominal interest rate
Loans to customers and banks, gross	**25,922**		**26,067**	
- key management personnel of the Group				
- in KZT	34	8.10%	46	1.91%
- close relatives of key management personnel				
- in KZT	50	7.10%	121	4.52%
- entities under common control				
- in USD	24,482	12.50%	23,535	12.50%
- in KZT	1,356	12.84%	2,365	12.84%
Provision for losses on loans to customers and banks	**(15,116)**		**(9,513)**	
- entities under common control	(15,116)		(9,513)	
Customer accounts	**4,836**		**11,841**	
- key management personnel of the Group				
- in KZT	361	13.2%	1,918	7.8%
- in USD	534	0.76%	714	1.95%
- in other currencies	31		157	
- close relatives of key management personnel				
- in USD	432	0.75%	1,705	1.23%
- in KZT	3,167	14.4%	3,314	7.7%
- in other currencies	23	1.20%	10	1.21%
- other				
- in EUR	3	4.98%	30	4.98%
- in KZT	146	10.8%	3,150	7.4%
- in USD	139	2.1%	800	2.5%
- in other currencies	-	-	43	2.4%
Debt securities issued				
Shareholders	-	-	1,996	4.1%

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.

(in millions of Kazakhstani tenge unless otherwise stated)

34. RELATED PARTY TRANSACTIONS, CONTINUED

Included in the consolidated statement of profit and loss for the year ended 31 December 2022 and 2021 are the following amounts, which arose due to transactions with related parties:

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	**1,618**	**277**
- key management personnel of the Group	2	1
- close relatives of key management personnel	3	6
- entities under common control	1,613	270
Interest expense	**(370)**	**(479)**
- key management personnel of the Group	(38)	(116)
- close relatives of key management personnel	(324)	(221)
- other	(8)	(142)
Net foreign exchange gain	**-**	**1,650**
- entities under common control	-	1,650
Expected credit loss allowance on loans to customers and banks	**(5,603)**	**(2,070)**
- entities under common control	(5,603)	(2,070)
Operating expenses	**(935)**	**(607)**
- key management personnel of the Group	(935)	(607)

Key management personnel remuneration for the years ended 31 December 2022 and 2021 represent short-term employee benefits. Total remuneration of members of the Board of Directors and the Management Board amounted to KZT 673 million and KZT 607 million for the years ended 31 December 2022 and 2021, respectively.

35. SUBSEQUENT EVENTS

On 1 January 2023, amendments to Article 16 of Law of the Republic of Kazakhstan "On banks and banking activities in the Republic of Kazakhstan" dated 31 August 1995 entered into force. Amendments stipulate that the Bank, which financial stability and/or recovery require use of the funds allocated from the national budget, National Fund of the Republic of Kazakhstan (hereinafter, "NFRK"), NBRK and its subsidiaries, shall, from the moment of deciding to provide funds from the state budget, NFRK, NBRK and its subsidiaries and until the Bank discharges its obligations to repay the funds received in full, distribute profit, accrue dividends on ordinary and preference shares, as well as repurchase its own shares, subject to compliance with the terms and conditions prescribed by the regulatory legal act of the authorised body. On 5 January 2023, ARDFM published draft Resolution "On approval of the terms of profit distribution, accrual of dividends on ordinary and (or) preference shares and (or perpetual) financial instruments, as well as repurchases of own shares by the second-tier bank, for which financial stability and (or) the recovery the funds allocated from the national budget, NFRK, NBRK and (or) its subsidiaries, are used". The above draft Resolution of Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market has not entered into force as at the date of issuance of these consolidated financial statements.

On 24 February 2023 the Bank obtained an authorisation from the Department of Banking Regulation of ARDFM to acquire a subsidiary – Insurance Company "Sinoasia B&R" JSC.