



**JOINT STOCK COMPANY
BANK CENTERCREDIT**

Consolidated Financial Statements
for the year ended 31 December 2023

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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 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the : 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(l), 5 and 18 in the consolidated financial statements.	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans to customers represent 52.5% 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.</p> <p>The Group applies ECL valuation models, which require management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of expected cash flows forecast for loans classified in stage 3, including key assumptions for timing of collateral sale. <p>Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.</p>	<p>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.</p> <p>To analyse adequacy of professional judgement and assumptions made by the management in relation to ECL allowance estimate, we performed the following procedures:</p> <ul style="list-style-type: none"> - 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, 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 2023 with actual results for 2023. <p>We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.</p>



Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2023 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2023 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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




Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. MF-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

4 March 2024

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Interest income calculated using the effective interest rate method		528,744	282,862
Other interest income		3,660	3,029
Interest expense		(274,853)	(150,645)
Net interest income before expected credit loss allowance on interest-bearing assets	6	257,551	135,246
Expected credit loss allowance on loans to customers and banks	7	(43,075)	(41,687)
Net interest income		214,476	93,559
Fee and commission income	8	86,509	48,708
Fee and commission expense	8	(45,134)	(21,933)
Net fee and commission income		41,375	26,775
Net gain/(loss) on financial instruments at fair value through profit or loss	9	9,270	(6,266)
Net gain on sale and repayment of financial assets measured at fair value through other comprehensive income		882	358
Net foreign exchange gain	10	45,598	56,148
Expected credit loss allowance on other financial assets and due from banks		(2,359)	(1,412)
Charge of provision for credit related commitments	30	(27,534)	(6,577)
Impairment loss on other non-financial assets	20	(756)	(3,122)
Other income/(expenses)	20	2,396	(3,505)
Net non-interest income		68,872	62,399

Explanatory notes as set out on pages 16 to 94 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Operating income		283,348	155,958
Operating expenses	11	(123,091)	(88,334)
Operating income before income tax		160,257	67,624
Bargain purchase gain	4	-	84,222
Profit before corporate income tax expense		160,257	151,846
Income tax expense	12	(25,011)	(6,717)
Profit for the year		135,246	145,129
Profit attributable to:			
Equity holders of the Bank		135,061	145,129
Non-controlling interests		185	-
Earnings per share			
Basic (KZT)	13	730.46	791.34
Diluted (KZT)	13	730.46	790.94

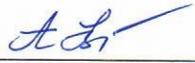
The consolidated financial statements as set out on pages 8 to 94 were approved by Management Board on 4 March 2024 and were signed on its behalf by:


R.V. Vladimirov
President

4 March 2024
Almaty, Kazakhstan


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

4 March 2024
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

4 March 2024
Almaty, Kazakhstan

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Year ended 31 December 2023	Year ended 31 December 2022
PROFIT FOR THE YEAR	135,246	145,129
OTHER COMPREHENSIVE INCOME		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Net gain resulting on revaluation of investment securities during the period (net of tax)	9,888	(21,854)
Reclassification adjustment relating to investment securities disposed of during the period (net of tax – KZT nil)	(882)	(358)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<i>9,006</i>	<i>(22,212)</i>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	9,006	(22,212)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	144,252	122,917
Total comprehensive income attributable to:		
Equity holders of the Bank	144,067	122,917
Non-controlling interests	185	-

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R.V. Vladimirov
President

4 March 2024
Almaty, Kazakhstan


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

4 March 2024
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

4 March 2024
Almaty, Kazakhstan

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS:			
Cash and cash equivalents	14	1,353,334	1,135,957
Financial instruments at fair value through profit or loss			
<i>Held by the Group</i>	15	44,988	27,580
<i>Pledged under sale and repurchase agreement</i>	15	10,426	8,388
Investment securities			
<i>Held by the Group</i>	16	615,833	837,101
<i>Pledged under loans from banks</i>	16	74,519	76,318
Due from banks	17	39,483	35,799
Loans to customers and banks	18		
<i>Loans to corporate customers</i>		951,687	731,754
<i>Loans to retail customers</i>		1,977,162	1,277,359
Current income tax assets		15,607	525
Property, plant and equipment and intangible assets	19	69,341	65,753
Other assets	20	138,659	127,432
TOTAL ASSETS		5,291,039	4,323,966
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	21	181,891	158,524
Customer accounts	22		
<i>Due to corporate customers</i>		1,787,543	1,357,726
<i>Due to retail customers</i>		2,234,525	1,915,418
Debt securities issued	23	70,532	96,183
Deferred income tax liabilities	12	11,399	11,620
Subordinated bonds	24	58,587	60,405
Other liabilities	25	527,196	450,239
TOTAL LIABILITIES		4,871,673	4,050,115
EQUITY:			
Equity attributable to owners of the Parent Bank:			
Share capital	26	64,498	63,676
Fair value reserve for securities		(14,315)	(23,321)
Property revaluation reserve		2,030	2,127
Retained earnings		366,527	231,369
Total equity attributable to owners of the Bank		418,740	273,851
Non-controlling interests		626	-
Total equity		419,366	273,851
TOTAL LIABILITIES AND EQUITY		5,291,039	4,323,966
Book value per ordinary share (KZT)	13	2,175	1,397
Book value per preference share (KZT)	13	6	232

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Vice President, Member
of the Management Board


A.T. Nurgaliyeva
Chief Accountant

4 March 2024
Almaty, Kazakhstan

4 March 2024
Almaty, Kazakhstan

4 March 2024
Almaty, Kazakhstan

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Share capital	Fair value reserve	Property revaluation reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2022	63,554	(1,109)	3,455	84,912	150,812	-	150,812
Total comprehensive income							
Profit for the period	-	-	-	145,129	145,129	-	145,129
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	(22,212)	-	-	(22,212)	-	(22,212)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	(22,212)	-	-	(22,212)	-	(22,212)
Total other comprehensive income	-	(22,212)	-	-	(22,212)	-	(22,212)
Total comprehensive income for the year	-	(22,212)	-	145,129	122,917	-	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							
Shares issued (Note 26)	122	-	-	-	122	-	122
Total transactions with owners	122	-	-	-	122	-	122
Balance at 31 December 2022	63,676	(23,321)	2,127	231,369	273,851	-	273,851

Explanatory notes as set out on pages 16 to 94 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 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Share capital	Fair value reserve	Property revaluation reserve	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2023	63,676	(23,321)	2,127	231,369	273,851	-	273,851
Total comprehensive income							
Profit for the period	-	-	-	135,061	135,061	185	135,246
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	9,006	-	-	9,006	-	9,006
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	9,006	-	-	9,006	-	9,006
Total other comprehensive income	-	9,006	-	-	9,006	-	9,006
Total comprehensive income for the year	-	9,006	-	135,061	144,067	185	144,252
Other movements in equity							
Transfer of the amount from revaluation resulting from depreciation and disposal	-	-	(97)	97	-	-	-
Total other movements in equity	-	-	(97)	97	-	-	-
Transactions with owners recorded directly in equity							
Non-controlling interest from acquisition of the subsidiary (Note 4)	-	-	-	-	-	479	479
Decrease in non-controlling interest (Note 1)	-	-	-	-	-	(38)	(38)
Shares issued (Note 26)	822	-	-	-	822	-	822
Total transactions with owners	822	-	-	-	822	441	1,263
Balance at 31 December 2023	64,498	(14,315)	2,030	366,527	418,740	626	419,366

The consolidated financial statements as set out on pages 8 to 94 were approved by Management Board on 4 March 2024 and were signed on its behalf by:


R.V. Vladimirov
President

4 March 2024
Almaty, Kazakhstan


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

4 March 2024
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

4 March 2024
Almaty, Kazakhstan

Explanatory notes as set out on pages 16 to 94 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	499,122	264,329
Interest paid	(265,243)	(136,888)
Services fee and commission received	85,746	49,425
Services fee and commission paid	(44,181)	(20,467)
Net proceeds from/(payments on) derivative instrument transactions	10,238	(5,835)
Net foreign exchange gain	39,905	46,422
Other income/(expenses) receipts/(payments)	2,396	(2,316)
Operating expenses paid	(111,223)	(78,849)
Cash flow from operating activities before changes in operating assets and liabilities	216,760	115,821
Change in operating assets:		
Financial instruments measured at fair value through profit or loss	(19,130)	(3,314)
Due from banks	(8,471)	(29,276)
Loans to customers and banks	(915,585)	(469,889)
Other assets	(8,866)	14,113
Change in operating liabilities:		
Due to banks and financial institutions	22,590	90,741
Customer accounts	768,065	1,635,698
Other liabilities	20,529	14,039
Cash flows from operating activities before tax	75,892	1,367,933
Income tax paid	(40,226)	(6,886)
Net cash flows from operating activities	35,666	1,361,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash and cash equivalents acquired due to business combination	1,758	38,408
Acquisition of subsidiary	(3,982)	(50,000)
Proceeds from repayment and sale of investment securities	3,985,421	2,495,144
Acquisition of investment securities	(3,740,266)	(2,946,158)
Acquisition of property, plant and equipment and intangible assets	(17,193)	(14,943)
Proceeds from sale of property, plant and equipment	726	105
Net cash flows from/(used in) investing activities	226,464	(477,444)

Explanatory notes as set out on pages 16 to 94 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from treasury shares issued, net	822	122
Proceeds from debt securities issued	-	13,879
Repurchase and repayment of debt securities issued	(25,999)	(29,040)
Repayment of subordinated bonds	(3,499)	(5,000)
Repayment of lease liabilities	(519)	(251)
Net cash flows used in financing activities	(29,195)	(20,290)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents	(15,558)	11,152
NET INCREASE IN CASH AND CASH EQUIVALENTS	217,377	874,465
CASH AND CASH EQUIVALENTS, beginning of the year	1,135,957	261,492
CASH AND CASH EQUIVALENTS, end of the year (Note 14)	1,353,334	1,135,957

The consolidated financial statements as set out on pages 8 to 94 were approved by Management Board on 4 March 2024 and were signed on its behalf by:


R.V. Vladimirov
President

4 March 2024
Almaty, Kazakhstan


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

4 March 2024
Almaty, Kazakhstan


A.T. Nurgaliyeva
Chief Accountant

4 March 2024
Almaty, Kazakhstan

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

1. INTRODUCTION

(a) Principal activity

JSC Bank CenterCredit (the “Bank”) is a Joint Stock Company, which has been incorporated and carrying out its operations in the Republic of Kazakhstan since 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the “ARDFM”) is a regulatory authority of the Bank. The Bank conducts its business under the 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.

On 12 October 2023, the Bank obtained a license to carry out regulated activities on the territory of the Astana International Financial Centre (“AIFC”) as a branch of JSC Bank CenterCredit in AIFC. In accordance with this license, the Bank's branch in AIFC accepts deposits, opens and maintains bank accounts, extends loans, provides monetary services, performs custody activities, dealer activities and brokerage activities.

As at 31 December 2023, the Bank had 21 branches in the Republic of Kazakhstan (31 December 2022: 20 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:

Name	Country of operation	Ownership interest		Activity
		31 December 2023	31 December 2022	
Center Project LLP (formerly “LLP BCC-SAOO”)	Republic of Kazakhstan	100.00%	100.00%	Management of distressed assets
JSC BCC Invest	Republic of Kazakhstan	100.00%	100.00%	Brokerage and dealer activity
LLP Center Leasing	Republic of Kazakhstan	100.00%	100.00%	Finance lease and other types of activity
JSC Insurance Company Sinoasia B&R	Republic of Kazakhstan	92.45%	-	Insurance activity

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

	31 December 2023	31 December 2022
	%	%
B.R. Baiseitov	49.04	49.04
V.S. Lee	11.29	11.29
Other (individually hold less than 5%)	39.67	39.67
	100.00	100.00

The consolidated financial statements were authorised for issue by the Management Board of JSC Bank CenterCredit on 4 March 2024.

Acquisition of JSC Insurance Company Sinoasia B&R

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

In May 2023, the Group acquired an additional stock of ordinary voting shares of JSC Insurance Company Sinoasia B&R, thereby having increased the Group's equity interest in the insurance company to 90.1% as of the acquisition date. In August 2023, the Bank exchanged 55,000 preference shares held by the Bank for ordinary shares of JSC Insurance Company Sinoasia B&R. As a result of the exchange, the Bank's interest in the share capital of the subsidiary increased to 92.45%. For more information, see *Note 4*.

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.

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

1. INTRODUCTION, CONTINUED

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. 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(f)(i)*;
- 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*.

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2. BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgements, continued

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 2023 is included in the following notes:

- 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 financial assets and liabilities for disclosure purposes – *Note 33*.

(e) Comparative information

Reclassifications in the annual financial statements for the previous year

The following reclassifications were made in consolidated statement of financial position as of 31 December 2022 and in the consolidated statements of profit or loss and other comprehensive income and cash flows for 2022 to conform to changes in presentation for 2023.

Reclassifications in the annual financial statements for the previous year (continued)

Management of the Group has revised the presentation of the portion of cash on margin accounts with the Kazakhstan Stock Exchange JSC, not being collateral for open transactions on the Exchange as at 31 December 2022, which is classified as highly liquid assets without restricting its use as at the reporting date, and classified it as cash and cash equivalents.

	<u>As previously reported</u>	<u>Effect of reclassifications</u>	<u>As reclassified</u>
Consolidated Statement of Financial Position as at 31 December 2022			
Cash and cash equivalents	1,117,220	18,737	1,135,957
Due from banks	54,536	(18,737)	35,799
Property, plant and equipment	65,163	590	65,753
Other assets	128,022	(590)	127,432
Consolidated Statement of Profit or Loss for the year ended 31 December 2022			
Fee and commission expense	(20,715)	(1,218)	(21,933)
Other expenses	(4,723)	1,218	(3,505)
Consolidated Statement of Cash Flows for the year ended 31 December 2022			
Services fee and commission paid	(19,249)	(1,218)	(20,467)
Other expense payments	(3,534)	1,218	(2,316)
Due from banks	(48,013)	18,737	(29,276)
Net cash flows from operating activities	1,342,310	18,737	1,361,047
Cash and cash equivalents at the beginning of the reporting period	261,492	-	261,492
Cash and cash equivalents at the end of the reporting period	1,117,220	18,737	1,135,957

3. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

In addition, the Group adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in *Note 3 Material accounting policies (2022: Significant accounting policies)* in certain instances in line with the amendments.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(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 acquiree), 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) *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.

(b) 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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(b) Interest income and expense, continued

Effective interest rate, continued

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 (m).

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:

- 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.

(c) 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(b)*).

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(c) Fee and commission income and expense, continued

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

(d) 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:

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
KZT/EUR	502.24	492.86
KZT/USD	454.56	462.65

(e) 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 financial institutions, 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. Balances with Kazakhstan and Moscow Stock Exchanges in excess of open transaction limits are classified as cash as there are no physical restrictions on these balances. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(f) 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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Financial instruments, continued

(i) Classification, continued

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.

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.

Business model assessment (continued)

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Financial instruments, continued

(i) Classification, continued

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

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.

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Financial instruments, continued

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

Financial assets, continued

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.

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(l)*), 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(b)*).

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Financial instruments, continued

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

Financial liabilities, continued

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.

(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 18*).

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Financial instruments, continued

(iv) Fair value measurement principles, continued

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.

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.

(g) 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(f)(i)*); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(h) 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.

(i) Property, plant and equipment and intangible assets

(i) Owned assets

Items of property and 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.

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(in millions of Kazakhstani tenge unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

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

(i) Owned assets, continued

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.

(ii) 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%

(j) 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.

(k) Foreclosed assets

Foreclosed assets are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) 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.

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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(I) Impairment of assets, continued

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.
- 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 assets carried at 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.

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 has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are 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;

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(l) Impairment of assets, continued

Credit-impaired financial assets, continued

- 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 ECL 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 decrease in carrying amount of these 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. Any excess of the loss allowance over the gross amount of the drawn component 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 assets’ in the consolidated statement of profit or loss and other comprehensive income.

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 assessed 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 is reversed only 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. 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*).

(m) 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 effect is material, 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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(n) 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 measured* 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.

(o) 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.

(iv) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(p) 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:

- initial recognition of goodwill not deductible for tax purposes;
- temporary differences related to 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
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that 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.

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3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(p) Taxation, continued

Deferred tax, continued

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, 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, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. 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.

(q) Segment reporting

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

(r) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 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.

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);*
- *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1);*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).*

A number of new amendments and interpretations are effective from 1 January 2023 but they do not have a material effect on the Group's consolidated financial statements.

4. BUSINESS COMBINATION

Acquisition of JSC Insurance Company Sinoasia B&R

On 20 February 2023, the Agency of the Republic of Kazakhstan for the Regulation and Development of Financial Markets (hereinafter referred to as "ARDFM") granted permission to JSC Bank CenterCredit to acquire the status of an insurance holding JSC Insurance Company Sinoasia B&R.

The ARDFM Management Board adopted the Resolution No.6 dated 20 February 2023 "On granting permission to Joint Stock Company Bank CenterCredit to acquire a subsidiary - JSC Insurance Company Sinoasia B&R (hereinafter referred to as "Sinoasia B&R").

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4. BUSINESS COMBINATION, CONTINUED

Acquisition of JSC Insurance Company Sinoasia B&R, continued

As at 31 December 2022, the Group owned 9.5% of the shares of Sinoasia B&R, which were accounted for within “Investment securities at fair value through other comprehensive income” in the consolidated statement of financial position. In May 2023, the Group acquired an additional stock of ordinary voting shares of Sinoasia B&R, thereby having increased the Group's equity interest in the insurance company to 90.1% as of the date of acquisition. In August 2023, the Bank exchanged 55,000 preference shares held by the Bank for the ordinary shares of JSC Insurance Company Sinoasia B&R. As a result of the exchange, the Bank's interest in the share capital of the subsidiary increased to 92.45%.

JSC Insurance Company Sinoasia B&R provides services of all classes of insurance.

Acquisition of ordinary voting shares of the insurance company will provide an opportunity to strengthen the synergy of banking and insurance business, expand the product range in the field of property and health insurance, and also increase the business efficiency of both the Bank and Sinoasia B&R through offering the combined products.

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 Sinoasia B&R on 1 May 2023 amounted to:

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

Goodwill

Goodwill arising on the acquisition of a controlling block of shares of Sinoasia B&R was measured as follows:

Fair value of investments to acquire 80.6% of the subsidiary's shares	3,982
Fair value of previously owned interest in the subsidiary's capital (9.5%)	1,324
Fair value of a non-controlling interest (9.9%)	479
	5,785
Fair value of net identifiable assets	4,837
Goodwill	948

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

Assets acquired	Valuation technique
Investments measured at fair value through other comprehensive income	Quoted market price (unadjusted) in an active market for an identical instruments, valuation techniques based on observable inputs, either directly or indirectly.
Reverse repurchase agreements	Quoted market price (unadjusted) in an active market for an identical instruments, valuation techniques based on observable inputs, either directly or indirectly.

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 2023 JSC Insurance Company Sinoasia B&R contributed other income of KZT 1,856 million and profit of KZT 2,031 million.

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4. BUSINESS COMBINATION, CONTINUED

Acquisition of JSC Insurance Company Sinoasia B&R, continued

Goodwill, continued

If an acquisition of business had occurred on 1 January 2023, management estimates that consolidated other income for the year ended 31 December 2023 would have been KZT 3,053 million, and consolidated profit for the year ended 31 December 2023 would have been KZT 135,650 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 2023.

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 JSC. On 5 May 2022, the Group took control over SB Alfa-Bank JSC through purchase of 100% of ordinary shares, after approval by the ARDFM.

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

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:

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

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4. BUSINESS COMBINATION, CONTINUED

Acquisition of Eco Center Bank JSC (former SB Alfa-Bank JSC), 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 is 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 2023.

Credit risk - Amounts arising from ECL

See accounting policy in *Note 3(m)*.

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.

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Significant increase in credit risk, continued

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 risk of default. These factors 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)
<ul style="list-style-type: none">• 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.• Data from credit reference agencies, press articles, changes in external credit ratings;• quoted bond and credit default swap (CDS) prices for the issuer where available;• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	<ul style="list-style-type: none">• Payment record – this includes overdue status.• Utilisation of the granted limit.• Requests for and granting of forbearance.• Existing and forecast changes in business, financial and economic conditions.

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 most exposures, key macro-economic indicator is likely to be GDP growth.

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Generating the term structure of PD, continued

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 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).

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(f)(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.

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Modified financial assets, continued

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

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 counterparty 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(m)). A customer needs to demonstrate consistently good payment behavior 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);
- 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 considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer 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.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This estimate is also based on 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 variable and credit risk and credit losses. The key driver is GDP forecast.

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.

ECL measurement

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).

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

ECL measurement, continued

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

These parameters are generally derived from internally developed statistical 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 in the event of a 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 unwinding of discounts and bonuses. 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 the amount drawn, as well as 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.

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.

	Carrying amount	Carrying amount	External benchmarks used	
	31 December 2023	31 December 2022	PD	LGD
Cash and cash equivalents	1,353,334	1,135,957	Moody's default study	70%;
Due from banks	39,483	35,799		0% - if the Government of the Republic of Kazakhstan acts as a counterparty
Investment securities	690,352	913,419	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

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

ECL measurement, continued

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI investment securities as at 31 December 2023 and 31 December 2022. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit quality analysis

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

	31 December 2023			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for credit- impaired assets	
<i>Cash and cash equivalents</i>				
- rated from AA- to AA+	73,453	-	-	73,453
- rated from A- to A+	67,952	-	-	67,952
- rated from BBB- to BBB+	932,950	-	-	932,950
- rated from BB- to BB+	5,157	-	-	5,157
- rated from B- to B+	23	-	-	23
- not rated	62,706	-	-	62,706
	1,142,241	-	-	1,142,241
Loss allowance	(69)	-	-	(69)
Total cash and cash equivalents (less cash on hand)	1,142,172	-	-	1,142,172
<i>Investment securities measured at amortised cost</i>				
- rated from AA- to AA+	56,066	-	-	56,066
- rated from BBB- to BBB+	39,784	-	-	39,784
- rated from BB- to BB+	5,735	-	-	5,735
- rated from B- to B+	5,094	-	-	5,094
	106,679	-	-	106,679
Loss allowance	(20)	-	-	(20)
Total investment securities measured at amortised cost	106,659	-	-	106,659
<i>Investment securities measured at fair value through other comprehensive income - debt</i>				
- rated from AA- to AA+	54,798	-	-	54,798
- rated from A- to A+	2,348	-	-	2,348
- rated from BBB- to BBB+	480,332	-	-	480,332
- rated from BB- to BB+	35,716	-	-	35,716
- rated from B- to B+	3,176	-	-	3,176
- not rated	-	6,273	-	6,273
	576,370	6,273	-	582,643
Loss allowance	(102)	(18)	-	(120)
Gross carrying amount of investment securities measured at fair value through other comprehensive income - debt	576,268	6,255	-	582,523
<i>Due from banks</i>				
- rated from AA- to AA+	23,938	-	-	23,938
- rated from A- to A+	886	-	-	886
- rated from BBB- to BBB+	10,042	-	-	10,042
- not rated	4,662	-	-	4,662
	39,528	-	-	39,528
Loss allowance	(45)	-	-	(45)
Total due from banks	39,483	-	-	39,483

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

	31 December 2023				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for credit- impaired assets	Originated credit- impaired financial assets (POCI- assets)	Total
<i>Loans to corporate customers measured at amortised cost</i>					
Not overdue loans	704,603	81,407	50,081	1,607	837,698
Overdue loans					
- overdue less than 30 days	4,187	44	2,612	78	6,921
- overdue 31-60 days	-	852	144	40	1,036
- overdue 61-90 days	-	904	1,298	-	2,202
- overdue 91-180 days	-	-	2,706	-	2,706
- overdue more than 180 days	-	-	21,701	150	21,851
	708,790	83,207	78,542	1,875	872,414
Loss allowance	(8,273)	(14,132)	(49,546)	-	(71,951)
Total loans to corporate customers measured at amortised cost	700,517	69,075	28,996	1,875	800,463
<i>Loans to individuals measured at amortised cost</i>					
Not overdue loans	1,940,997	3,457	3,000	564	1,948,018
Overdue loans					
- overdue less than 30 days	20,502	625	619	30	21,776
- overdue 31-60 days	-	6,252	468	12	6,732
- overdue 61-90 days	-	4,238	718	6	4,962
- overdue 91-180 days	-	-	10,220	28	10,248
- overdue more than 180 days	-	-	29,780	116	29,896
	1,961,499	14,572	44,805	756	2,021,632
Loss allowance	(17,333)	(3,262)	(23,745)	(130)	(44,470)
Total loans to individuals measured at amortised cost	1,944,166	11,310	21,060	626	1,977,162
<i>Loans to banks</i>					
Loans to banks	23,068	-	-	-	23,068
Loss allowance	(648)	-	-	-	(648)
Total loans to banks	22,420	-	-	-	22,420
<i>Loans under reverse repurchase agreements</i>					
Reverse repurchase agreements, not overdue	128,804	-	-	-	128,804
Loss allowance	-	-	-	-	-
Total loans under reverse repo agreements	128,804	-	-	-	128,804

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

	31 December 2022			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for credit- impaired assets	
<i>Cash and cash equivalents</i>				
- rated from AA- to AA+	17,609	-	-	17,609
- rated from A- to A+	39,792	-	-	39,792
- rated from BBB- to BBB+	904,346	-	-	904,346
- rated from BB- to BB+	950	-	-	950
- rated from B- to B+	94	-	-	94
- not rated	34,702	-	-	34,702
	997,493	-	-	997,493
Loss allowance	(63)	-	-	(63)
Total cash and cash equivalents (less cash on hand)	997,430	-	-	997,430
<i>Investment securities measured at amortised cost</i>				
- 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
<i>Investment securities measured at fair value through other comprehensive income - debt</i>				
- 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	675,967	12,285	-	688,252
<i>Due from banks</i>				
- rated from AA- to AA+	18,562	-	-	18,562
- rated from A- to A+	6,575	-	-	6,575
- rated from BBB- to BBB+	2,173	-	-	2,173
- not rated	8,499	-	-	8,499
	35,809	-	-	35,809
Loss allowance	(10)	-	-	(10)
Total due from banks	35,799	-	-	35,799

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5. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

	31 December 2022				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for credit- impaired assets	Originated credit- impaired financial assets (POCI- assets)	Total
<i>Loans to corporate customers measured at amortised cost</i>					
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 corporate customers measured at amortised cost	537,328	63,300	39,309	4,073	644,010
<i>Loans to individuals measured at amortised cost</i>					
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 individuals measured at amortised cost	1,246,768	9,812	19,594	1,185	1,277,359
<i>Loans to banks</i>					
Loans to banks	13,828	-	-	-	13,828
Loss allowance	(104)	-	-	-	(104)
Total loans to banks	13,724	-	-	-	13,724
<i>Loans under reverse repurchase agreements</i>					
Reverse repurchase agreements, not overdue	74,020	-	-	-	74,020
Loss allowance	-	-	-	-	-
Total loans under reverse repurchase agreements	74,020	-	-	-	74,020

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6. NET INTEREST INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income:		
Interest income on financial assets at amortised cost:		
- interest income on assets not credit-impaired	451,888	228,976
- interest income on credit-impaired assets	6,971	6,479
Interest income on financial assets measured at fair value through other comprehensive income	69,885	47,407
Total interest income	528,744	282,862
Interest income on financial assets at amortised cost comprises:		
Interest on loans to customers and banks	389,734	211,887
Interest on due from banks	42,765	18,367
Interest on investment securities measured at amortised cost	26,360	5,201
Total interest income on financial assets recorded at amortised cost	458,859	235,455
Interest income on financial assets at fair value through profit or loss and investments in net finance lease	3,660	3,029
Total interest income	532,404	285,891
Interest expense:		
Interest expense on financial liabilities at amortised cost	(274,853)	(150,645)
Total interest income	(274,853)	(150,645)
Interest expense on financial liabilities at amortised cost:		
Interest on customer accounts	(232,427)	(113,878)
Interest expense on payments to mortgage organisation	(12,566)	(10,758)
Interest on due to banks and financial institutions	(12,542)	(8,368)
Interest on debt securities issued	(9,383)	(9,500)
Interest on subordinated bonds	(7,522)	(7,869)
Lease liabilities	(413)	(272)
Total interest expense on financial liabilities at amortised cost	(274,853)	(150,645)
Net interest income before impairment allowance for financial assets	257,551	135,246

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7. CHARGE OF EXPECTED CREDIT LOSS ALLOWANCE FOR LOANS TO CUSTOMERS AND BANKS

Years ended								Total loans to
31 December 2022 and	Corporate loans	Small and	Mortgage loans	Consumer loans	Business	Car	Loans to banks	customers and
31 December 2023		medium-sized			development	loans		banks
		enterprises						
At 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
At 1 January 2023	65,470	7,415	6,769	25,375	6,707	245	104	112,085
Charge/(reversal) of allowance*	10,242	4,146	2,697	5,727	1,288	3,139	(48)	27,191
New financial assets originated or purchased*	3,533	4,814	934	3,819	1,339	856	589	15,884
Effect of unwinding of discount**	3,233	592	96	2,143	395	37	-	6,496
Write-off of assets	(27,671)	(1,471)	(1,092)	(16,543)	(2,238)	(255)	-	(49,270)
Recovery of assets previously written-off	1	1,303	465	2,075	228	65	-	4,137
Foreign exchange difference	266	78	46	97	37	19	3	546
31 December 2023	55,074	16,877	9,915	22,693	7,756	4,106	648	117,069

* Provisions recognised during the twelve months ended 31 December 2023 and 31 December 2022 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.

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8. FEE AND COMMISSION INCOME/(EXPENSE)

	Year ended 31 December 2023	Year ended 31 December 2022
Services and commission income received:		
Payment cards	41,723	22,487
Settlements	16,879	11,057
Sale of insurance policies	14,135	3,347
Guarantees issued	5,290	4,364
Cash operations	4,740	5,193
Securities purchase and sale	1,996	1,378
Documentary operations	419	115
Custody activities	355	269
Currency conversion	61	160
Trust operations	50	76
Other	861	262
Total services and fee and commission income received	86,509	48,708
Payment cards	(33,287)	(15,954)
Agent services	(6,943)	(1,218)
Settlements	(3,092)	(2,241)
Custody activities	(425)	(260)
Documentary operations	(209)	(146)
Securities purchase and sale	(132)	(153)
Currency conversion	(101)	(704)
Other	(945)	(1,257)
Total fee and commission income	(45,134)	(21,933)
	41,375	26,775

Commissions 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, 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 moment of the transaction execution;
- 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.

In millions of Kazakhstani tenge	31 December 2023	31 December 2022
Receivables which are included in 'other assets' (Note 20)	5,478	4,715

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

	Year ended 31 December 2023	Year ended 31 December 2022
Realised gain/(loss) on operations with derivative financial instruments	7,826	(5,969)
Realised gain on trading operations	2,412	134
Unrealised gain on operations with derivative financial instruments	66	162
Unrealised loss on change in fair value	(1,034)	(593)
	9,270	(6,266)

10. NET FOREIGN EXCHANGE GAIN

	Year ended 31 December 2023	Year ended 31 December 2022
Dealing operations, net	39,905	46,422
Translation differences, net	5,693	9,726
	45,598	56,148

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11. OPERATING EXPENSES

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	67,370	46,198
Taxes other than income tax	11,748	8,362
Depreciation and amortisation	9,900	7,258
Administrative expenses	7,018	5,397
Short-term lease expenses	5,831	5,193
Contributions to Deposit Insurance Fund	3,707	3,261
Telecommunications	2,746	2,480
Advertising costs	2,651	1,693
Equipment repair and maintenance	2,559	1,914
Security and alarming expenses	1,887	1,627
Professional services	1,593	856
Cash collection	1,152	758
Business travel expenses	778	439
Representation expenses	156	82
Other expenses	3,995	2,816
	123,091	88,334

Professional services expenses for the year ended 31 December 2023 include costs of audit services and other advisory services provided by one company in the amount of KZT 212 million and KZT 22 million, respectively.

12. INCOME TAX EXPENSE

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax expense	18,814	5,531
Adjustment of current income tax expense for the previous periods based on results of tax audit*	6,835	-
Movement in deferred tax liabilities due to origination and reversal of temporary differences and movement in loss allowance	(638)	1,186
Total income tax expense	25,011	6,717

* From January 2022 to September 2023, a tax audit was carried out at the Bank for the tax periods from 2017 to 2020. Based on the results of this tax audit, additional income tax were charged, including fines and penalties, for a total amount of KZT 6,835 million due to differences in estimates of certain items of expenses deductible for tax purposes for the audited periods, including assessment of expenses for loss allowance for loans to customers on an individual and collective basis in accordance with IFRS 9 *Financial Instruments*, assessment of collateral for the purposes of calculating loss allowance, assessment of the classification of financial assets. The Group's management believes that the amount of additional taxes charged on the basis of the results of the tax audit in 2023 is a change in value judgments, since the interpretation of the provisions of the Tax Code of the Republic of Kazakhstan by the relevant authorities was different in practice. See Note 32(c).

During 2023, the applicable tax rate for current and deferred tax is 20% (2022: 20%).

Reconciliation of effective tax rate for the year ended 31 December

	2023	%	2022	%
Profit before income tax	160,257		151,846	
Income tax at the applicable income tax rate	32,051	20.00	30,369	20.00
Adjustment of current income tax expense for the previous periods based on results of tax audit	6,835	4.27	-	-
Non-taxable interest and other income on transactions with state and other qualified securities	(18,805)	(11.73)	(10,916)	(7.19)
Non-taxable gain from bargain purchase of subsidiary	-	-	(16,865)	(11.11)
Non-deductible operating and other expenses	4,930	3.08	4,129	2.72
	25,011	15.62	6,717	4.42

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12. INCOME TAX EXPENSE, CONTINUED

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 net deferred tax liabilities as at 31 December 2023 and 31 December 2022.

Movements in temporary differences during 2023 and 2022 are presented as follows.

	Balance at 1 January 2023	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2023
Accrued interest payable	35	254	-	289
Investment securities measured at fair value through other comprehensive income	1,263	-	(437)	826
Other	294	229	-	523
Effect of modification of financial assets terms	71	(60)	-	11
Discount on loans to customers	(28)	(153)	-	(181)
Discount on low-interest customer accounts	(2,737)	(184)	-	(2,921)
Discount on subordinated bonds	(6,618)	331	-	(6,287)
Payroll fund	763	159	-	922
Right-of-use asset	82	455	-	537
Right-of-use liability	(10)	(568)	-	(578)
Property, plant and equipment and intangible assets	(4,735)	175	20	(4,540)
	(11,620)	638	(417)	(11,399)
	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 terms	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)

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13. EARNINGS PER SHARE

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

	Year ended 31 December 2023	Year ended 31 December 2022
Basic earnings per share		
Net earnings attributable to shareholders of the Bank	135,061	145,129
Less: additional dividends payable upon full distribution of profit to the preferred share holders	(120)	(13)
Net earnings attributable to ordinary shareholders	134,941	145,116
Weighted average number of ordinary shares for purposes of basic earnings per share	184,733,608	183,379,202
Basic earnings per share (in KZT)	730.46	791.34
Diluted earnings per share		
Net earnings attributable to ordinary shareholders	134,941	145,116
Add: additional dividends payable upon full distributions of profit to the preferred shareholders	120	13
Earnings used in calculation of diluted earnings per share	135,061	145,129
Weighted average number of ordinary shares	184,733,608	183,379,202
Shares deemed to be issued:		
Weighted average number of ordinary shares that would be issued for the convertible preference shares	164,799	109,602
Weighted average number of ordinary shares for purposes of diluted earnings per share	184,898,407	183,488,804
Diluted earnings per share (tenge)	730.46	790.94

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 2023 and 31 December 2022 is as follows:

	31 December 2023			31 December 2022		
	Outstanding shares (number of shares)	Amount for calculation of book value KZT million	Book value of one share, KZT	Outstanding shares (number of shares)	Amount for calculation of book value KZT million	Book value of one share, KZT
Ordinary shares	185,377,060	403,115	2,175	184,722,599	258,124	1,397
Preference shares	164,239	1	6	146,382	34	232
		403,116			258,158	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the total number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group 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 believes that the Group fully complies with the requirement of KASE as at the reporting date.

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14. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	211,162	138,527
Nostro accounts with NBRK	248,784	411,235
Nostro accounts with other banks		
- rated from AA- to AA+	73,453	17,609
- rated A- to A+	52,156	39,792
- rated from BBB- to BBB+	4,075	4,172
- rated from BB- to BB+	5,157	950
- rated B- to B+	23	94
- not rated	16,181	15,965
Total gross nostro accounts with other banks	151,045	78,582
Loss allowance	(58)	(63)
Total nostro accounts with other banks	150,987	78,519
Term deposits with NBRK	680,091	488,939
Term deposits with other banks with maturity less than 90 days		
- rated from A- to A+	15,796	-
Gross term deposits with other banks with maturity less than 90 days	15,796	-
Loss allowance	(11)	-
Total term deposits with other banks with maturity less than 90 days	15,785	-
	46,525	18,737
Total cash and cash equivalents	1,353,334	1,135,957

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.

As at 31 December 2023, current account balances with other non-rated banks are mainly represented by Russian banks not included in the sanctions list, for the total amount of KZT 28,274 million (31 December 2022: KZT 14,939 million). Ratings of these banks have been withdrawn by the respective agencies. Prior to the withdrawal, the banks were rated from BB+ to BBB- according to the scale of international rating agencies. According to the Bank, there are no restrictions for withdrawal of these cash balances from such accounts.

As at 31 December 2023 the Group has accounts with 1 bank (31 December 2022: 1 bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is KZT 928,875 million (31 December 2022: KZT 900,174 million).

Minimum reserve requirements

As at 31 December 2023 and 2022, minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. To meet the minimum reserves requirements the Bank places cash in reserve assets, which are required to be maintained at the level of not less than the average amount of cash on hand denominated in national currency and balance on the current account with the NBRK in the national currency for 4 weeks, calculated as certain minimum level of deposits and current accounts of the customers that are residents and non-residents of the Republic of Kazakhstan, and of other liabilities of the Bank. As at 31 December 2023, the minimum reserve requirement is KZT 65,225 million (31 December 2022: KZT 56,473 million) and reserve asset was KZT 90,253 million (31 December 2022: KZT 55,390 million).

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15. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023, financial assets at fair value through profit or loss comprise trading securities of 55,352 million, and foreign currency swaps of KZT 62 million (31 December 2022: trading securities of KZT 35,968 million; none of foreign currency swaps).

Trading securities comprise:

	Nominal interest rate, %	31 December 2023	Nominal interest rate, %	31 December 2022
Trading securities				
<i>Debt securities</i>				
Corporate bonds	2.0-22.0	29,848	3.6-21.0	18,205
The NBRK discount notes		4,015		-
The US Treasury bills	3.0-5.4	1,803		-
Government bonds of the Republic of Kazakhstan	5.0-9.0	528	3.9-9.0	1,907
<i>Equity securities*</i>				
Shares of the Kazakhstani companies		4,064		2,674
Equity stakes		3,911		4,730
Shares of international companies		757		64
		44,926		27,580
Pledged under sale and repurchase agreements				
Corporate bonds	8.5-19.9	9,580	8.5-12.4	8,388
Government bonds of the Republic of Kazakhstan	7.7-8.1	846		-
		10,426		8,388
		55,352		35,968

* Ownership interest in equity securities is below 1%.

The table below provides analysis of credit quality of debt securities at fair value through profit or loss based on Standard and Poor's ratings or ratings of other international rating agencies as at 31 December 2023:

	Corporate bonds	Government bonds of the Republic of Kazakhstan	US Treasury bills	Total
- rated from BBB- to BBB+	17,635	5,389	-	23,024
- rated from BB- to BB+	12,959	-	-	12,959
- rated from B- to B+	6,430	-	-	6,430
- rated from AA- to AA+	-	-	1,803	1,803
- rated from A- to A+	569	-	-	569
- not rated	1,835	-	-	1,835
	39,428	5,389	1,803	46,620

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

No financial assets at fair value through profit or loss are past due.

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16. INVESTMENT SECURITIES

	31 December 2023	31 December 2022
Investment securities at fair value through other comprehensive income	583,693	689,740
Investment financial assets at amortised cost	106,659	223,679
Total investment securities	690,352	913,419

Investment securities at fair value through other comprehensive income

	Nominal interest rate, %	31 December 2023	Nominal interest rate, %	31 December 2022
<i>Debt securities</i>				
Government bonds of the Republic of Kazakhstan	0-18.7	406,383	5-11.0	287,945
Corporate bonds	0.7-22.0	103,440	2.1-11.5	116,045
The US Treasury bills	0.1-2.9	29,834		-
The NBRK discount notes		-		247,543
<i>Equity securities</i>				
Shares of the Kazakhstani companies		1,170		1,463
Shares of international companies		-		25
Pledged under loans from banks				
Government bonds of the Republic of Kazakhstan	7.1-10.5	19,396	7.1-10.5	13,231
The US Treasury bills	1.25-2.23	23,590	2.1-2.2	23,677
		583,813		689,929
Allowance for expected credit losses		(120)		(189)
		583,693		689,740

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

Investment securities at amortised cost

	Nominal interest rate, %	31 December 2023	Nominal interest rate, %	31 December 2022
<i>Debt securities</i>				
Government bonds of the Republic of Kazakhstan	0.60-8.45	36,025	0.6-8.4	36,302
Corporate bonds	2.00-20.00	13,484	1.3-4.8	9,559
The US Treasury bills	0.12-2.23	25,637		
The NBRK discount notes		-		138,415
		75,146		184,276
Pledged under loans from banks				
The US Treasury bills	1.25-2.23	30,429	1.3-2.2	38,318
Government bonds of the Republic of Kazakhstan	8.44-8.45	1,104	8.4	1,092
		31,533		39,410
Allowance for expected credit losses		(20)		(7)
		106,659		223,679

17. DUE FROM BANKS

	31 December 2023	31 December 2022
Due from banks comprise:		
- a contingent deposit with the NBRK	5,344	2,173
- rated from AA- to AA+	23,938	18,562
- rated from A- to A+	886	6,575
- rated from BBB- to BBB+	4,698	-
- not rated	4,662	8,499
Due from banks before allowance for expected credit losses	39,528	35,809
Allowance for expected credit losses	(45)	(10)
Total due from banks	39,483	35,799

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

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17. DUE FROM BANKS, CONTINUED

As at 31 December 2023, a conditional deposit with the NBRK comprises funds of KZT 144 million (31 December 2022: 329 thousand million) received from Development Bank of Kazakhstan JSC (“DBK JSC”), and KZT 5,200 million (31 December 2022: KZT 1,844 million) received from DAMU Entrepreneurship Development Fund JSC (“EDF DAMU JSC”) in accordance with the terms and conditions of loan agreements with DBK JSC and EDF DAMU JSC.

Due from banks and other financial institutions, not rated

As at 31 December 2023, deposit balances held with other banks, that are not rated, comprise security deposits and margin protection at KASE, for a total of KZT 4,604 million (31 December 2022: KZT 4,396 million).

Concentration of accounts and deposits with banks

As at 31 December 2023 and 2022, the Group has no banks whose balances exceed 10% of equity.

18. LOANS TO CUSTOMERS AND BANKS

	31 December 2023	31 December 2022
Loans to customers	2,847,566	1,992,170
Accrued interest	46,480	41,180
	2,894,046	2,033,350
Less credit loss allowance	(116,421)	(111,981)
Total loans to customers	2,777,625	1,921,369
Loans to banks	22,972	13,719
Accrued interest	96	109
Less credit loss allowance	(648)	(104)
Total loans to banks	22,420	13,724
Loans under reverse repurchase agreements	128,804	74,020
Total loans to customers and banks	2,928,849	2,009,113

Movements in the credit loss allowance for loans to customers and banks for the years ended 31 December 2023 and 2022 are disclosed in *Note 7*.

The following table provides information by types of loan products as at 31 December 2023:

	Gross amount	Loss allowance	Carrying amount
Loans to corporate customers			
Corporate loans	531,362	(55,074)	476,288
Small and medium-sized enterprises	341,052	(16,877)	324,175
Loans to individuals			
Mortgage loans (including mortgage loans under the ‘7-20-25’ programme and the Baspana Hit programme)	917,983	(9,915)	908,068
Consumer loans	456,162	(22,693)	433,469
Business development	252,445	(7,756)	244,689
Auto loans	395,042	(4,106)	390,936
	2,894,046	(116,421)	2,777,625

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

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

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

The following table provides information on the credit quality of loans to customers as at 31 December 2023:

	Corporate loans	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Auto loans	Total
Loans to customers							
Not overdue loans	521,971	315,727	904,258	421,664	234,349	387,747	2,785,716
Overdue loans:							
- overdue less than 30 days	2,494	4,427	5,767	7,854	4,274	3,881	28,697
- overdue 31-60 days	31	1,005	1,393	2,292	2,226	821	7,768
- overdue 61-90 days	-	2,202	949	1,956	1,493	564	7,164
- overdue 91-180 days	768	1,938	1,503	5,421	2,314	1,010	12,954
- overdue more than 180 days	6,098	15,753	4,113	16,975	7,789	1,019	51,747
Total loans to customers before loss allowance for expected credit losses	531,362	341,052	917,983	456,162	252,445	395,042	2,894,046
Allowance for expected credit losses	(55,074)	(16,877)	(9,915)	(22,693)	(7,756)	(4,106)	(116,421)
Total loans to customers, net of allowance for expected credit losses	476,288	324,175	908,068	433,469	244,689	390,936	2,777,625

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

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

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

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

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

As at 31 December 2023, 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 as Stage 3 were included in the Action Plan (the "Plan") based on results of AQR, which includes measures aimed at rehabilitating borrowers, repaying loans with proceeds from sale of collateral and collecting loans under the court decision. In accordance with the Plan, the Group expects that debts of the borrowers from the agreed list will be repaid within five years. Under the Plan, the Group provides the Plan Progress reports to the regulator on a quarterly basis.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

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

	Year ended 31 December 2023				
	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	3,364	9,812	59,660	49	72,885
Transition to lifetime expected credit losses for assets not credit-impaired	(475)	479	(4)	-	-
Transition to lifetime expected credit losses for credit-impaired assets	(3,778)	(103)	3,881	-	-
Charge of allowance	1,574	3,778	9,036	-	14,388
New financial assets originated or purchased	7,540	76	731	-	8,347
Effect of unwinding of discount	-	-	3,825	-	3,825
Write-off of assets	-	-	(29,093)	(49)	(29,142)
Recovery of assets previously written-off	-	-	1,304	-	1,304
Foreign exchange difference	48	90	206	-	344
Allowance for expected credit losses at the end of the year	8,273	14,132	49,546	-	71,951
Loans to individuals					
Allowance for expected credit losses at the beginning of the year	10,548	2,914	25,254	380	39,096
Transition to 12-month expected credit losses	162	(130)	(32)	-	-
Transition to lifetime expected credit losses for assets not credit-impaired	(2,610)	2,716	(106)	-	-
Transition to lifetime expected credit losses for credit-impaired assets	(4,259)	(2,754)	7,013	-	-
Charge of allowance	6,956	334	5,811	(250)	12,851
New financial assets originated or purchased	6,463	167	318	-	6,948
Effect of unwinding of discount	-	-	2,671	-	2,671
Write-off of assets	-	-	(20,128)	-	(20,128)
Recovery of assets previously written-off	-	-	2,833	-	2,833
Foreign exchange difference	73	15	111	-	199
Allowance for expected credit losses at the end of the year	17,333	3,262	23,745	130	44,470

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

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

	Year 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
Effect of 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
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
Effect of 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

(c) Analysis of movements in the gross carrying amount

Significant changes in the gross carrying amount of loans to customers during the year that contributed to changes in the 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 (12) months of 2023 resulted in an increase in the gross carrying amount of the portfolio of loans to corporate customers and small and medium-sized enterprises by KZT 518,471 million, and the respective increase in the 12-month loss allowance amounted to KZT 9,320 million.
- The volume of loans repaid during the twelve (12) months of 2023 resulted in a decrease in the gross carrying amount of the portfolio of loans to corporate customers and small and medium-sized enterprises by KZT 333,810 million, and the respective decrease in the 12-month loss allowance amounted to KZT 1,860 million.
- The write-off of loans with a gross carrying amount of KZT 29,142 million resulted in a decrease in the loss allowance for the Stage 3 loans by the same amount.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

Loans to individuals

- The volume of loans issued to customers during the twelve (12) months of 2023 resulted in an increase in the gross carrying amount of the retail segment portfolio by KZT 1,000,285 million, and the respective increase in the 12-month loss allowance amounted to KZT 6,900 million.
- The volume of loans repaid during the twelve (12) months of 2023 resulted in a decrease in the gross carrying amount of the retail segment portfolio by KZT 274,780 million, and the respective decrease in the 12-month loss allowance amounted to KZT 2,458 million.
- The write-off of loans with a gross carrying amount of KZT 20,128 million resulted in a decrease in the loss allowance for the Stage 3 loans by the same amount.

(d) 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 thereto. 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 customers (net of loss allowance) by types of collateral.

31 December 2023	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
<i>Loans to corporate customers</i>				
Cash and deposits	25,707	25,707	-	-
Real estate	244,606	244,606	-	-
Vehicles	2,959	2,959	-	-
Equipment	65,759	65,759	-	-
Corporate guarantees	69,342	-	-	69,342
Traded securities	5,528	5,528	-	-
Goods in turnover	15,748	-	15,748	-
Mineral rights	7,196	7,196	-	-
Other collateral	5,164	887	4,277	-
Income from future contracts	30,199	-	-	30,199
No collateral or other credit enhancements	4,080	-	-	4,080
Total loans to corporate customers	476,288	352,642	20,025	103,621
<i>Loans to small and medium-sized enterprises</i>				
Cash and deposits	25,911	25,911	-	-
Real estate	181,539	181,539	-	-
Vehicles	2,613	2,613	-	-
Equipment	3,613	3,613	-	-
Corporate guarantees	31,282	-	-	31,282
Goods in turnover	9,278	-	9,278	-
Other collateral	28	-	18	10
Contractual cash flows	3,387	-	-	3,387
No collateral or other credit enhancement	66,524	-	-	66,524
Total loans to small and medium-sized enterprises	324,175	213,676	9,296	101,203
Total loans to corporate customers and small and medium-sized enterprises	800,463	566,318	29,321	204,824

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

(i) Loans to corporate customers, continued

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
<i>Loans to corporate customers</i>				
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 enhancement	16,241	-	-	16,241
Total loans to corporate customers	381,636	287,754	4,179	89,703
<i>Loans to small and medium-sized enterprises</i>				
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 enhancement	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

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 the estimate of allowance. As at 31 December 2023 the loans to corporate customers with net carrying amount of KZT 30,199 million (31 December 2022: KZT 8,088 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 partially secured loans.

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

At 31 December 2023, the net carrying amount of credit-impaired loans to corporate customers amounted to KZT 19,834 million (2022: KZT 43,382 million) and the value of identifiable collateral (mainly commercial properties) held against those loans amounted to KZT 19,834 million (2022: KZT 45,705 million), excluding overcollateralisation. For each loan, the value of collateral is capped to the carrying amount of the loan that is held against.

During 2023, there were no changes in the Group's collateral policy.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(d) 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 7,758 million (31 December 2022: KZT 739 million), which are secured by collateral with a fair value lower than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 600 million (31 December 2022: KZT 187 million).

Management believes that the fair value of collateral for mortgage loans with a net carrying amount of KZT 900,310 million (31 December 2022: KZT 622,490 million) is at least equal to the carrying amount of individual loans at the reporting date.

Auto loans

Included in the auto loan portfolio are loans with a net carrying amount of KZT 8,705 million (31 December 2022: KZT 2,457 million), which are secured by collateral with a fair value lower than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 8,436 million (31 December 2022: KZT 2,359 million).

Management believes that the fair value of collateral for auto loans with a net carrying amount of KZT 382,231 million (31 December 2022: KZT 146,000 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 182,826 million (31 December 2022: KZT 208,384 million), which are secured by collateral with a fair value lower than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 44 million (31 December 2022: KZT 135 million).

Management believes that the fair value of collateral for consumer loans with a net carrying amount of KZT 250,643 million (31 December 2022: KZT 149,237 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 34,849 million (31 December 2022: KZT 58,006 million), which are secured by collateral with a fair value lower than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 1,965 million (31 December 2022: KZT 34,981 million).

Management believes that the fair value of collateral for business development loans with a net carrying amount of KZT 209,840 million (31 December 2022: KZT 90,047 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.

	2023	2022
Credit-impaired loans		
Loan-to-value ratio (LTV ratio)		
Less than 50%	10,536	10,473
51%-70%	2,570	1,834
70%-150%	3,087	1,606
More than 150%	5,252	6,866
Total	21,445	20,779

Reposessed collateral

During the year 2023, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 2,247 million (2022: KZT 10,228 million). As at 31 December 2023, the reposessed collateral was worth KZT 49,160 million (31 December 2022: KZT 57,228 million worth of reposessed collateral) (*Note 20*).

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

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

(iii) Loans to banks

	31 December 2023	31 December 2022
- rated from BB- to BB+	21,060	1,382
- not rated (commercial banks of the Republic of Kazakhstan and the Republic of Tajikistan)	2,008	12,446
	23,068	13,828
Less: loss allowance	(648)	(104)
	22,420	13,724

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

(e) Loan portfolio analysis

As at 31 December 2023, the Group has 1 borrower or groups of related borrowers (31 December 2022: 2 borrowers), whose loan balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is KZT 45,497 million (31 December 2022: KZT 77,508 million).

Industry and geographical analysis of the loan portfolio

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

	31 December 2023	31 December 2022
Individuals	2,021,632	1,316,455
Trade	168,952	172,317
Rent of real estate	91,383	75,035
Energy	81,132	74,346
Transport and telecommunications	58,082	26,311
Manufacturing	51,216	46,641
Oil and gas industry	48,169	39,157
Industrial construction	43,902	36,866
Metallurgy	39,613	14,060
Mining and refining the precious metals	39,474	26,141
Transportation and equipment maintenance services	37,535	28,807
Food industry	32,284	30,709
Housing construction	32,220	35,789
Financial services	29,219	7,741
Agriculture	21,743	10,501
Machinery manufacturing	5,738	4,465
Other	91,752	88,009
Total	2,894,046	2,033,350
Allowance for expected credit losses	(116,421)	(111,981)
	2,777,625	1,921,369

The fair value of assets received as collateral and the carrying amount of reverse repurchase agreements as at 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023		31 December 2022	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Government bonds of the Republic of Kazakhstan	88,392	83,417	36,435	35,588
The NBRK discount notes	-	-	3,002	3,002
Corporate bonds	40,412	38,649	34,583	33,869
	128,804	122,066	74,020	72,459

(f) Loan maturities

The maturity 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.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(g) Continuing involvement in the asset

To realise the first initiative “New Opportunities for Each Family to Procure Housing” of the “Five Social Initiatives of the President” announced by the President of the Republic of Kazakhstan in its Address to the People, 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 set for mortgage loans 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.

As stipulated in the Programme and Trust Management Agreement with the Operator, the Bank shall hold transferred loans in trust and ensure that credit files are appropriately maintained. Fees for trust management services is 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 terms under the Programme are as follows:

- An annual nominal interest rate is 7%.
- A loan term is up to 25 years; initial contribution is no less and no more than 20% of the value of a home pledged as collateral.
- The maximum value of a home to be purchased is: 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 to get a loan under the Programme, 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 the appropriate document issued by a local executive body where such housing facility is located.

As at 31 December 2023, the carrying amount of loans provided under the Programme “7-20-25” was KZT 320,682 million (31 December 2022: KZT 315,119 million).

To create better opportunities for Kazakhstan citizens to purchase their 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.

The lending terms under the Baspana Hit programme are as follows:

- An interest rate is calculated with the formula: a base rate of the National Bank of the RK + 175 basis points.
- A loan term is up to 15 years; initial installment is 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.

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18. LOANS TO CUSTOMERS AND BANKS, CONTINUED

(g) Continuing involvement in the asset, continued

The lending terms under the Baspana Hit programme are as follows, continued:

- To be eligible for a loan under the Programme, 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 2023, the carrying amount of loans provided under the Baspana Hit programme was KZT 110,171 million (31 December 2022: KZT 149,853 million).

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

(h) Transfer of financial assets

During 2023, the Group sold a portfolio of mortgage loans at its carrying amount, the balance of which amounted to KZT 424,544 million at the year-end (31 December 2022: KZT 406,109 million) and issued a customer a guarantee of reverse repurchase or exchange of certain loans, if loans are overdue for more than 90 days. The amount of reverse repurchase or exchange is not limited. Reverse repurchase is performed at the loan nominal value (outstanding principal and interest accrued) as of the purchase date.

The Group has determined that it neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset transferred, in particular the Group has not transferred the credit risk; however, the Group has determined that it retains control over the assets transferred and continues to recognise the assets to the extent of its 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 to be equal to maximum amount of consideration received that the Group could be required to return. The Group believes that the value of the guarantee is high enough, and this guarantee will prevent the Operator from selling 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 'loans to customers' in the amount of KZT 424,544 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.

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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						
Balance at 1 January 2022	21,801	20,360	593	-	13,442	56,196
Acquisitions	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	(1,410)	(1,369)	(78)	-	-	(2,857)
Balance at 31 December 2022	26,939	33,544	532	3,757	25,579	90,351
Acquisitions	490	8,500	750	-	4,403	14,143
Acquisitions under business combinations (Note 4)	-	38	-	-	33	71
Disposals	(108)	(1,876)	(328)	-	(235)	(2,547)
Balance at 31 December 2023	27,321	40,206	954	3,757	29,780	102,018
Accumulated depreciation and amortisation						
Balance at 1 January 2022	(255)	(11,315)	-	-	(7,302)	(18,872)
Depreciation and amortisation for the year	(455)	(3,808)	-	(411)	(2,584)	(7,258)
Disposals	335	1,197	-	-	-	1,532
Balance at 31 December 2022	(375)	(13,926)	-	(411)	(9,886)	(24,598)
Depreciation and amortisation for the year	(170)	(5,259)	-	(659)	(3,812)	(9,900)
Disposals	3	1,651	-	-	167	1,821
Balance at 31 December 2023	(542)	(17,534)	-	(1,070)	(13,531)	(32,677)
Net carrying amounts						
At 31 December 2023	26,779	22,672	954	2,687	16,249	69,341
At 31 December 2022	26,564	19,618	532	3,346	15,693	65,753

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 determine the fair value of property and equipment – the market approach based on the market information used to determine the fair value of buildings and constructions where there is an active market, and the cost approach when information on comparable sales of similar buildings and constructions is not available on the market for items to be revalued. As at 31 December 2023 and 31 December 2022, the fair value of buildings and constructions totalled KZT 27,054 million and KZT 26,839 million, respectively. If the Group's buildings and constructions would not have been valued at cost, their carrying amount would be KZT 23,098 million and KZT 22,883 million as at 31 December 2023 and 31 December 2022, respectively.

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

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20. OTHER ASSETS

	31 December 2023	31 December 2022
Other financial assets		
Other receivables	12,645	8,233
Receivables from sale of own assets	6,412	5,462
Mutual settlements with international payment system (VISA International, Mastercard)	7,289	2,779
Accrued commission	5,478	4,715
Western Union and other wireless transfers	896	1,585
	32,720	22,774
Allowance for expected credit losses	(2,894)	(2,169)
	29,826	20,605
Current other non-financial assets		
Reposessed collateral	49,160	57,228
Receivables under joint arrangements	20,049	-
Advances paid	18,063	10,904
Taxes receivable other than income tax	2,040	2,494
Inventories	474	468
Other assets	7	335
	89,793	71,429
Non-current other financial assets		
Investment property	15,253	19,851
Receivables under joint arrangements	8,155	20,049
Other assets	230	-
	113,431	111,329
Loss allowance	(4,598)	(4,502)
	108,833	106,827
	138,659	127,432

Other receivables

As at 31 December 2023, other receivables comprise restricted cash of KZT 4,213 million under the financial guarantee contract entered into by the Bank (31 December 2022: nil) (*Note 25*) and amounts due from banking counterparties of KZT 8,432 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. On 13 December 2023, an acceptance act for new-build facilities commissioned by RAMS Kazakhstan LLP was signed. The Group is planning to record these facilities on the Group's balance sheet by the end of the first half of the year 2024.

During 2023, the Group entered into a joint arrangement with construction companies to sell land plots intended for construction of a multifamily apartment complex with built-in premises and a parking space worth KZT 3,025 million, KZT 3,130 million and KZT 2,000 million, respectively. 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 multifamily apartment complex. Non-cash consideration was measured at fair value as of the sale date.

	2023	2022
Other income/(expense)		
Income from investment property	3,271	1,923
Income from insurance activities, net	1,633	-
Operating expenses related to investment property	(2,128)	(985)
Selling expenses on reposessed collateral	(112)	(1,795)
Other	(268)	(2,648)
	2,396	(3,505)

As at 31 December 2023, other financial assets of KZT 26,860 million were classified into Stage 1 of the credit risk grading (31 December 2022: KZT 19,908 million), and financial assets of KZT 777 million were classified into Stage 2 of the credit risk grading (31 December 2022: nil), and of KZT 5,083 million are classified into Stage 3 of the credit risk grading (31 December 2022: KZT 2,866 million).

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20. OTHER ASSETS, CONTINUED

Receivables under joint arrangements, continued

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

2023	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	-	-	(2,169)	(2,169)
Net remeasurement of loss allowance	-	(242)	(2,191)	(2,433)
Write-offs	-	-	1,708	1,708
Balance at 31 December	-	(242)	(2,652)	(2,894)

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)

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

	2023	2022
Balance at 1 January	(4,502)	(1,380)
Net remeasurement of loss allowance	(756)	(3,122)
Write-offs	660	-
Balance at 31 December	(4,598)	(4,502)

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 value as at 31 December 2023, management used the market approach, which is based on an analysis of the prices of the latest comparable sales of similar properties (31 December 2022: the market approach, which is based on an analysis of the prices of the latest comparable sales of similar properties, and the income approach, which is based on the assumptions about the amount of cash flows estimated taking into account market rental rates and occupancy rates, and discounting rate of 15.9%).

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 2023 and 31 December 2022, the fair value was KZT 16,911 million and KZT 21,392 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 2023 and 31 December 2022, of KZT 3,271 million and KZT 1,923 million, respectively. Operating expenses related to investment property from which the Group earned rental income for the years ended 31 December 2023 and 31 December 2022 amounted to KZT 2,128 million and KZT 985 million, respectively.

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	31 December 2023	Nominal interest rate, %	31 December 2022
Long-term loans due to banks and financial institutions	1.00-12.00	82,138	1.00-8.78	67,117
Loans due to international credit organisations	13.45-17.66	39,782	16.50-21.45	40,955
Correspondent accounts of banks		47,678		42,185
Other loans		10		10
Accrued interest expense		1,907		1,619
		171,515		151,886
Loans under repurchase agreements	14.75-15.75	10,376	16.1-16.75	6,638
		181,891		158,524

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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 EDF DAMU JSC, DBK JSC, Industrial Development Fund JSC (“IDF JSC”) and Agrarian Credit Corporation JSC (“ACC JSC”), in the amount of KZT 41,306 million at 1.0%-12.0% p.a., maturing in 2024-2035; of KZT 10,901 million at 1%-2% p.a., maturing in 2034-2037; of KZT 27,500 million at 1.0% p.a., maturing in 2052; and of KZT 2,431 million at 1.5% p.a., maturing in 2024, respectively (31 December 2022: KZT 27,719 million, KZT 10,901 million, KZT 27,500 million and KZT 997 million, respectively).

During 2023 and 2022, the Group has been repaying principal and interest according to the repayment schedules.

During 2023, the Group received long-term loans of KZT 15,249 million from EDF DAMU JSC; loans bear interest rates of 2.5%-12.0% p.a. and mature in 2029-2030. Loans received were intended to further extend loans to end borrowers.

Loans from EDF DAMU JSC 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 29 April 2022. These financial liabilities were initially recognised at fair value, based on the assumption that raising funds through government lending programmes available to second-tier banks is a separate market segment. Loans from EDF DAMU JSC are not secured by debt securities.

During 2023, the Group repaid the long-term loans due to EDF DAMU JSC for a total of KZT 1,663 million at 1.0% - 8.5% p.a. (2022: KZT 856 million at 1.0-4.5% p.a.).

Loans received from DBK JSC are intended to further provide financing to large enterprises (“LEs”) operating in the processing industry, and to further provide loans to individuals, buyers of cars manufactured in Kazakhstan. During the years ended 31 December 2023 and 2022, the Group received no additional tranches of long-term loans from DBK JSC.

During the year ended 31 December 2022, the Group received long-term loans from IDF JSC, for a total of KZT 27,500 million, at 1.0% p.a., which mature in 2052. Loans received were intended to further extend loans to individuals as part of the programme to provide auto loans on preferential terms to individuals. During 2023, the Group received no additional tranches of long-term loans from IDF JSC.

As at 31 December 2023, loans received from IDF JSC are secured by debt securities of KZT 20,500 million (31 December 2022: KZT 14,323 million) (*Note 16*).

During the year ended 31 December 2023, the Group received loans from ACC JSC, for a total of KZT 4,861 million, at 1.5% p.a., which mature in 2024. Loans received were intended to further provide loans to farms to assist with spring farm work and harvest work. Loans from ACC JSC are not secured by debt securities.

During 2023, the Group repaid loans due to JSC ACC for a total of KZT 3,427 million, at 1.5% p.a.

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

Loans from EDF DAMU JSC were received in accordance with the Government programme aimed at financing small and medium-sized enterprises (“SME”) operating in specific industries (“the Programme”). Under the loan agreement between DAMU EDF JSC and the Group, the Group extends loans to SME borrowers, eligible to participate in the Programme, at the interest rate with margin of 4% and with maturity not exceeding 10 years. The Group’s obligation to repay the loan payable to DAMU EDF JSC is not contingent on collectibility of loans extended to the SME borrowers. The Group is obligated to pay a 15% penalty on the amounts that were not extended to the SME borrowers within 3-9 months since the proceeds from borrowed funds from DAMU EDF JSC have been received.

The Group’s management believes that no other financial instruments similar to loans received from EDF DAMU JSC, DBK JSC, IDF JSC and ACC JSC, bearing the interest rates of 1.0% - 12.0% p.a., exist in the market, and due to the specific nature of activities of LSE and SME clients and individuals under the auto loan preferential programme, this product represents a separate market. Therefore, loans received from EDF DAMU JSC, DBK JSC, IDF JSC and ACC JSC, bearing the interest rates of 1.0%- 12.0% p.a., represent the orderly transactions on the separate market and as such, transactions 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 European Bank for Reconstruction and Development JSC (“EBRD”), bearing interest rates at 14.7% -17.66% p.a. and maturing in 2024-2026.

During the year ended 31 December 2023, the Group received a loan from European Bank for Reconstruction and Development JSC in the amount of KZT 28,037 million at 14.7% p.a., maturing in 2026. During 2023, the Group has repaid principal and interest according to the repayment schedules, for a total of KZT 8,654 million, at 21.25%, and early repaid the principal amount and interest for a total of KZT 25,444 million at 17.8%-21.45%.

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21. DUE TO BANKS AND FINANCIAL INSTITUTIONS, CONTINUED

Loans due to international credit organisations, continued

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 2022, the Group has repaid principal and interest according to the repayment schedules, for a total of KZT 5,956 million at 21.45%.

Loans received from international credit institutions are secured by debt securities for a total of KZT 54,019 million (31 December 2022: KZT 61,995 million (*Note 16*)).

The Bank is obligated to comply with financial covenants related 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 2023 and 2022, the Group was in compliance with these covenants.

Loans under repurchase agreements

As at 31 December 2023 and 2022, loans due to banks and financial institutions included loans received under repurchase agreements of KZT 10,376 million and KZT 6,638 million that were repaid in January 2024 and 2023, respectively. The fair value of assets pledged under repurchase agreements amounted to KZT 10,426 million and KZT 8,388 million as at 31 December 2023 and 2022, respectively (*Note 15*).

Correspondent accounts of banks

At 31 December 2023, deposits received from other banks included correspondent accounts received from foreign banks for a total of KZT 45,776 million and Kazakh second-tier banks for a total of KZT 1,902 million (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).

22. CUSTOMER ACCOUNTS

	31 December 2023	31 December 2022
Customer accounts		
- Retail	2,234,525	1,915,418
- Corporate	1,787,543	1,357,726
	4,022,068	3,273,144
	31 December 2023	31 December 2022
Term deposits	2,772,328	2,213,791
Call deposits	1,228,812	1,044,745
	4,001,140	3,258,536
Accrued interest	20,928	14,608
	4,022,068	3,273,144

As at 31 December 2023, the Bank maintained customer deposit balances of KZT 116,540 million that serve as collateral for loans and unrecognised credit instruments granted by the Group (31 December 2022: KZT 59,577 million).

As at 31 December 2023, the Group has 2 customer (31 December 2022: 1 customer), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is KZT 111,451 million (31 December 2022: KZT 249,721 million).

23. DEBT SECURITIES ISSUED

	Currency	Issue date	Maturity date	Interest rate, %	31 December 2023	Interest rate, %	31 December 2022
Bonds issued in		05/02/2018-	27/12/2025-				
Kazakhstan	KZT	09/11/2021	09/11/2028	10.75-12.00	69,827	10.95-12.00	71,241
	USD	03/03/2006	Perpetual	-	-	10.79	23,962
					69,827		95,203
Accrued interest					705		980
					70,532		96,183

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. In 2023, the Group repaid perpetual bonds for a total of KZT 21,854 million and delisted the securities.

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25. OTHER LIABILITIES

	31 December 2023	31 December 2022
Other financial liabilities:		
Liability from continuing involvement (Note 18(h))	424,544	406,109
Liabilities under guarantees issued*	35,679	7,819
Settlements on other liabilities	31,658	22,100
Insurance contract provisions	19,255	-
Provisions for guarantees and letters of credit	3,854	4,490
Lease liability	2,892	3,411
Accrued fee and commission expense	2,033	1,080
Accrued administrative and operating expenses	1,755	1,433
	521,670	446,442
Current other non-financial liabilities:		
Taxes payable other than income tax	4,738	3,092
Other non-financial liabilities	788	705
Total other liabilities	527,196	450,239

As at 31 December 2023, liabilities under guarantees issued included liabilities of KZT 31,204 million under the guarantee issued to one counterparty. The liability arose due to the occurrence of a guaranteed event (31 December 2022: none).

26. SHARE CAPITAL

As at 31 December 2023 the Bank's share capital comprises the following:

	Authorised share capital	Unissued share capital	Repurchased share capital from shareholders	Total share capital
Ordinary shares (number of shares)	1,211,140,611	(1,023,111,576)	(2,651,975)	185,377,060
Preference shares (number of shares)	39,249,255	-	(39,085,016)	164,239

As at 31 December 2023, the Bank's share capital comprised:

	Authorised and issued share capital	Placement of authorised ordinary shares	Issued/ (repurchased) shares	Total
Ordinary shares	63,519	-	978	64,497
Preference shares	35	-	(34)	1
	63,554	-	944	64,498

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

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

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

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

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 preference 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.

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26. SHARE CAPITAL, CONTINUED

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

	Year ended 31 December 2023	Year ended 31 December 2022
	Quantity (in thousands)	Quantity (in thousands)
Preference shares at the beginning of the year	146	123
Preference shares sold	18	23
Preference shares at the end of the year	164	146
Ordinary shares at the beginning of the year	184,723	182,503
Repurchase of treasury shares	(725)	(1,189)
Sale of treasury shares repurchased	1,379	3,409
Ordinary shares at the end of the year	185,377	184,723

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 2023, 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 2022: 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 2023 and 2022. 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 raising 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 material 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.

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27. SEGMENT REPORTING, CONTINUED

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.

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	Insurance activities	Year ended 31 December 2023
Interest income calculated using the effective interest method	270,961	117,177	139,010	1,596	528,744
Other interest income	-	-	3,660	-	3,660
Interest expense	(145,049)	(100,357)	(29,447)	-	(274,853)
Charge of credit loss allowance for interest-bearing assets	(19,799)	(23,276)	-	-	(43,075)
Net non-interest income	14,608	48,553	4,077	1,634	68,872
Operating expenses	(52,989)	(24,652)	(44,232)	(1,218)	(123,091)
Profit before income tax	67,732	17,445	73,068	2,012	160,257
Segment assets*	1,977,384	2,483,602	785,249	29,197	5,275,432
Segment liabilities*	2,250,889	2,277,278	311,010	21,097	4,860,274
Other segment items					
Depreciation/amortisation expense on property and equipment, and intangible assets	(4,262)	(1,983)	(3,557)	(98)	(9,900)
Loans to customers and banks	1,977,162	951,687	-	-	2,928,849
Customer accounts	2,234,525	1,787,543	-	-	4,022,068
Financial guarantees and credit related commitments	92,921	210,576	-	-	303,497

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

	Retail banking	Corporate banking	Investing activities	Year ended 31 December 2022
Interest income calculated using the effective interest method	136,723	75,164	70,975	282,862
Other interest income	-	-	3,029	3,029
Interest expense	(74,881)	(66,763)	(9,001)	(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	11,695	37,475	67,624
Gain on a bargain purchase	-	-	84,222	84,222
Profit for the year	18,454	11,695	121,697	151,846
Segment assets*	1,278,094	2,060,161	985,186	4,323,441
Segment liabilities*	1,921,196	1,802,187	315,112	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

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

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27. SEGMENT REPORTING, CONTINUED

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

Major customers

For the year ended 31 December 2023, the reporting segments have no corporate and retail customers (for the year ended 31 December 2022: 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 and determines the structure of the Management Board. The Bank's executive bodies are responsible for implementation of decisions 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 and emerging best practice.

As at 31 December 2023, 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 implementing 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.

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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 2023 and 2022 is as follows:

	2023		2022	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel fall	(2,605)	(2,605)	(5,844)	(5,844)
100 bp parallel rise	2,605	2,605	5,844	5,844

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 2023 and 2022 and a simplified scenario of a 150 bp symmetrical fall or rise in all yield curves, is as follows:

	2023		2022	
	Profit or loss	Equity	Profit or loss	Equity
150 bp parallel rise	(1,465)	(17,442)	(1,016)	(15,728)
150 bp parallel fall	1,403	16,542	879	15,730

(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.

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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 2023:

	KZT	USD USD 1.00 = KZT 454.56	EUR EUR 1.00 = KZT 502.24	Other currency	31 December 2023 Total
Financial assets:					
Cash and cash equivalents	456,898	635,212	173,751	87,473	1,353,334
Financial instruments at FVTPL	41,494	13,858	-	-	55,352
Investment financial assets at FVOCI	420,043	134,099	29,551	-	583,693
Investment financial assets at amortised cost	6,188	91,076	9,395	-	106,659
Due from banks	10,099	29,372	-	12	39,483
Loans to customers and banks	2,698,830	213,446	15,991	582	2,928,849
Other financial assets	25,032	4,047	747	-	29,826
Total financial assets	3,658,584	1,121,110	229,435	88,067	5,097,196
Financial liabilities:					
Due to banks and financial institutions	136,932	37,538	4,244	3,177	181,891
Customer accounts	2,650,504	1,063,077	223,784	84,703	4,022,068
Debt securities issued	70,532	-	-	-	70,532
Subordinated bonds	58,587	-	-	-	58,587
Other financial liabilities	489,304	29,552	1,151	1,663	521,670
Total financial liabilities	3,405,859	1,130,167	229,179	89,543	4,854,748
Open position	252,725	(9,057)	256	(1,476)	
The effect of derivatives held for risk management	(4,541)	4,546	-	-	
Net position	248,184	(4,511)	256	(1,476)	

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

	KZT	USD USD 1.00 = KZT 462.65	EUR EUR 1.00 = KZT 492.86	Other currency	31 December 2022 Total
Financial assets:					
Cash and cash equivalents	181,141	751,741	133,816	69,259	1,135,957
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	23,042	-	10,533	35,799
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	

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28. RISK MANAGEMENT POLICY, CONTINUED

(c) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2023 and 31 December 2022, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2023	2022
20% appreciation of USD against KZT	(722)	(1,579)
20% appreciation of EUR against KZT	41	7
20% appreciation of other currencies against KZT	(236)	338

(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.

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.

(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);

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28. RISK MANAGEMENT POLICY, CONTINUED

(d) Credit risk, continued

- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- 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.

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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 2023	31 December 2022
ASSETS		
Cash and cash equivalents	1,142,172	997,430
Financial instruments at FVTPL	46,620	28,500
Investment financial assets at FVOCI - debt financial instruments	582,523	688,252
Investment financial assets at amortised cost	106,659	223,679
Due from banks	39,483	35,799
Loans to customers and banks	2,928,849	2,009,113
Other financial assets	29,826	20,605
Total maximum exposure	4,876,132	4,003,378

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 2023 and 31 December 2022 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 2023 and 31 December 2022 was in compliance with the statutory norm.

As at 31 December 2023 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.

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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 an enforceable master netting arrangement and similar agreement as at 31 December 2023:

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	58,352	-	58,352	-	(58,352)	-
Loans under reverse repurchase agreements	128,804	-	128,804	(122,159)	-	6,645
Total financial assets	187,156	-	187,156	(122,159)	(58,352)	6,645
Current accounts and deposits from customers	58,352	-	58,352	(58,352)	-	-
Due to banks and financial institutions (loans under REPO agreements)	10,376	-	10,376	(10,376)	-	-
Total financial liabilities	68,728	-	68,728	(68,728)	-	-

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement and similar agreement 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 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.

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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 2023 Total
Financial assets:				
Cash and cash equivalents	1,182,023	35,525	135,786	1,353,334
Financial instruments at FVTPL	50,418	-	4,996	55,414
Investment financial assets at FVOCI	517,892	6,282	59,519	583,693
Investment financial assets at amortised cost	50,593	-	56,066	106,659
Due from banks	14,645	11	24,827	39,483
Loans to customers and banks	2,916,138	12,711	-	2,928,849
Other financial assets	29,385	137	304	29,826
Total financial assets	4,761,094	54,666	281,498	5,097,258
Financial liabilities:				
Due to banks and financial institutions	106,523	34,086	41,282	181,891
Customer accounts	3,518,403	443,717	59,948	4,022,068
Debt securities issued	70,532	-	-	70,532
Subordinated bonds	58,587	-	-	58,587
Other financial liabilities	520,896	451	323	521,670
Total financial liabilities	4,274,941	478,254	101,553	4,854,748
Open position	486,153	(423,588)	179,945	
				31 December 2022 Total
Financial assets:				
Cash and cash equivalents	1,103,812	17,349	14,796	1,135,957
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	11,262	4,043	20,494	35,799
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	

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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 optimisation. 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.

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28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk, continued

31 December 2023	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 2023 Total
Financial assets							
Cash and cash equivalents	10.45%	695,876	-	-	-	-	695,876
Financial instruments at FVTPL	17.04%	46,620	-	-	-	-	46,620
Investment financial assets at FVOCI	13.01%	582,523	-	-	-	-	582,523
Investment financial assets at amortised cost	4.61%	11,531	14,306	23,397	56,391	1,034	106,659
Loans to customers and banks	18.26%	540,695	138,974	376,642	1,027,131	845,407	2,928,849
Total interest-bearing assets		1,877,245	153,280	400,039	1,083,522	846,441	4,360,527
Financial liabilities							
Cash and cash equivalents		657,458	-	-	-	-	657,458
Financial instruments at FVTPL		8,732	-	-	-	-	8,732
Investment financial assets at FVOCI		1,170	-	-	-	-	1,170
Due from banks		32,194	7,289	-	-	-	39,483
Other financial assets		25,613	-	4,213	-	-	29,826
Total financial assets		2,602,412	160,569	404,252	1,083,522	846,441	5,097,196
Financial liabilities							
Due to banks and financial institutions	7.25%	23,214	1,671	12,378	41,636	55,314	134,213
Customer accounts	10.99%	788,840	459,156	1,513,911	403,117	16,530	3,181,554
Debt securities issued	12.40%	-	484	221	69,827	-	70,532
Subordinated bonds	12.82%	-	560	7,824	21,639	28,564	58,587
Other financial liabilities	3.07%	3,101	2,996	13,966	86,833	317,648	424,544
Total interest-bearing liabilities		815,155	464,867	1,548,300	623,052	418,056	3,869,430
Due to banks and financial institutions		47,678	-	-	-	-	47,678
Amounts due to customers		787,275	2,402	14,733	33,407	2,697	840,514
Other financial liabilities		97,126	-	-	-	-	97,126
Total financial liabilities		1,747,234	467,269	1,563,033	656,459	420,753	4,854,748
Liquidity gap		855,178	(306,700)	(1,158,781)	427,063	425,688	
Interest sensitivity gap		1,062,090	(311,587)	(1,148,261)	460,470	428,385	
Cumulative interest sensitivity gap		1,062,090	750,503	(397,758)	62,712	491,097	
Cumulative interest sensitivity gap as a percentage of total financial assets		23.99%	17.21%	(9.12%)	1.44%	11.26%	

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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 2023 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 assets		1,532,969	150,742	383,779	873,005	497,988	3,438,483
Cash and cash equivalents		647,018	-	-	-	-	647,018
Financial instruments at FVTPL		7,468	-	-	-	-	7,468
Investment financial assets at FVOCI		1,488	-	-	-	-	1,488
Due from banks		35,799	-	-	-	-	35,799
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%	

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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 2023 Total
Financial liabilities:						
Due to banks and financial institutions	23,591	2,730	18,252	51,538	65,052	161,163
Customer accounts	811,529	463,123	1,528,839	429,086	32,224	3,264,801
Debt securities issued	-	600	7,356	85,383	-	93,339
Subordinated bonds	-	1,108	11,651	33,969	69,600	116,328
Other financial liabilities	5,907	8,586	38,596	201,829	495,278	750,196
Total interest-bearing liabilities	841,027	476,147	1,604,694	801,805	662,154	4,385,827
Due to banks and financial institutions	47,678	-	-	-	-	47,678
Customer accounts	787,275	2,402	14,733	33,407	2,697	840,514
Other financial liabilities	97,126	-	-	-	-	97,126
Total financial liabilities	1,773,106	478,549	1,619,427	835,212	664,851	5,371,145
Financial guarantees and commitments	303,497	-	-	-	-	303,497
	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

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28. RISK MANAGEMENT POLICY, CONTINUED

(e) Liquidity risk, continued

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

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

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

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29. CAPITAL MANAGEMENT, CONTINUED

As at 31 December 2023 the minimum level of ratios as applicable to the Bank are as follows:

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

As at 31 December 2023, the Bank complied with all prudential capital ratios k1, k1-2 and k2, and the actual ratios were 0.154, 0.154 and 0.181 (31 December 2022: k1 –0.140, k1-2 –0.140 and k2 –0.179).

The following table shows the composition of the capital position as at 31 December 2023 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 2023	31 December 2022
Tier 1 capital		
Basic capital:	397,183	258,979
Share capital	65,648	65,648
Statutory retained earnings of prior years	225,818	76,966
Retained earnings of current period	130,613	148,852
Reserves formed from statutory retained earnings of prior years	4,981	4,981
Revaluation surplus for buildings	-	1,442
Revaluation reserve for investment securities	(13,883)	(23,467)
Statutory adjustments:		
Intangible assets	(15,994)	(15,443)
Total basic capital	397,183	258,979
Additional capital:		
Paid-in preference share capital not satisfying basic capital requirements	11,775	11,775
Bank’s treasury preference shares	(11,686)	(11,686)
Tier 1 capital	397,272	259,068
Tier 2 capital		
Subordinated debt	67,626	71,985
Total tier 2 capital	67,626	71,985
Total capital	464,898	331,053
Positive difference between regulatory impairment provisions and IFRS impairment provisions	-	-
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk		
Credit risk-weighted assets	2,301,707	1,646,345
Credit risk-weighted contingent liabilities	118,365	110,010
Market risk-weighted assets, contingent assets and liabilities	51,599	43,172
Operational risk	103,165	50,141
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	2,574,836	1,849,668
k1	0.154	0.140
k1-2	0.154	0.140
k2	0.181	0.179

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30. CREDIT RELATED COMMITMENTS

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

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

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

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

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

	31 December 2023		31 December 2022	
	Nominal value	Risk-weighted value*	Nominal value	Risk-weighted value
Guarantees issued and other similar liabilities	193,598	134,799	149,678	96,360
Credit card commitments	92,921	18,584	88,495	17,699
Letters of credit and other contingent liabilities related to other transaction	16,978	3,396	11,336	2,267
	303,497	156,779	249,509	116,326

*guarantees issued and other similar liabilities are stated net of cash collateral in the amount of KZT 58,799 million (31 December 2022: KZT 53,318 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 2023, the guarantees issued in the amount of KZT 161,298 million and credit card commitments in the amount of KZT 92,263 million are classified as Stage 1 of credit risk gradings (31 December 2022: KZT 116,142 million and KZT 86,700 million), KZT 33 million and KZT 114 million are classified as Stage 2 of credit risk gradings (31 December 2022: KZT 31,929 million and KZT 519 million, respectively) and KZT 32,267 million and KZT 544 million are classified as Stage 3 of credit risk gradings, respectively (31 December 2022: KZT 1,607 million and KZT 1,276 million, respectively). Net change in provision for credit related commitments was KZT 27,534 million for the year ended 31 December 2023 due to charge of additional provision for one counterparty as a guarantee event has occurred (*Note 25*) (2022: KZT 6,577 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 2023	31 December 2022
Cash	58,799	53,318
Real estate	50,537	25,023
Corporate guarantees	17,829	20,685
Unsecured	16,415	9,608
Movable property	988	723
Goods in turnover	554	198
Other	48,476	40,123
Total	193,598	149,678

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 2023	31 December 2022
Cash	10,128	4,401
Unsecured	-	597
Other	6,850	6,338
Total	16,978	11,336

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

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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.

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

	31 December 2023	31 December 2022
Securities	406,714	556,305
Investments in buildings, machinery, equipment, transport and other property	6,261	6,216
Bank deposits	47	67
Unit investment funds	25	25
Total fiduciary assets	413,047	562,613

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.

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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 2023:

	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	-	-	1,353,334	1,353,334	1,353,334
Financial instruments at FVTPL	55,414	-	-	55,414	55,414
Investment financial assets at FVOCI	-	583,693	-	583,693	583,693
Investment financial assets at amortised cost	-	-	106,659	106,659	104,760
Due from banks	-	-	39,483	39,483	39,483
Loans to customers and banks	-	-	2,928,849	2,928,849	2,911,512
Other financial assets	-	-	29,826	29,826	29,826
	55,414	583,693	4,458,151	5,097,258	5,078,022
Due to banks and financial institutions	-	-	181,891	181,891	181,891
Customer accounts	-	-	4,022,068	4,022,068	4,019,165
Debt securities issued	-	-	70,532	70,532	65,859
Subordinated bonds	-	-	58,587	58,587	57,386
Other financial liabilities	-	-	521,670	521,670	521,670
	-	-	4,854,748	4,854,748	4,845,971

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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 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	-	-	1,135,957	1,135,957	1,135,957
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	-	-	35,799	35,799	35,799
Loans to customers and banks	-	-	2,009,113	2,009,113	1,986,050
Other financial assets	-	-	20,605	20,605	20,605
	35,968	689,740	3,425,153	4,150,861	4,125,914
Due to banks and financial institutions	-	-	158,524	158,524	158,524
Customer accounts	-	-	3,273,144	3,273,144	3,271,245
Debt securities issued	-	-	96,183	96,183	89,134
Subordinated bonds	-	-	60,405	60,405	56,279
Other financial liabilities	-	-	446,442	446,442	446,442
	-	-	4,034,698	4,034,698	4,021,624

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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 6.87%-21.11% and 20.55%-28.35% are used for discounting future cash flows from USD- and KZT-denominated loans to corporate customers and loans to retail customers, respectively (31 December 2022: 5.36%-19.78% and 23.35%-28.27%);
- discount rates of 7.0% to 14.64% p.a. are used for discounting future cash flows from mortgage loans issued under the '7-20-25' programme (31 December 2022: 7.0% to 14.63% p.a.). The Bank applies nominal interest rates to discount future cash flows making the assumption that this government programme represents a separate market segment;
- discount rates of 2.6%-14.6% and 0.9%-13.7% are used to calculate expected future cash flows from KZT- and USD-denominated current accounts and deposits of corporate and retail customers, respectively (31 December 2022: 0.9%-14.4% and 0.9%-15.48%);
- quoted market prices are used for determination of fair value of debt securities issued.

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

(b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the consolidated 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;

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

(b) Fair value hierarchy, continued

- 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 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments at FVTPL – debt securities	4,239	42,381	-	46,620
Non-derivative financial instruments at FVTPL – equity securities	2,049	6,683	-	8,732
Investment financial assets at FVOCI - debt financial instruments	58,417	517,851	6,255	582,523
Investment financial assets at FVOCI - equity financial instruments	1,170	-	-	1,170
	65,875	566,915	6,255	639,045

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

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

The following table shows a reconciliation for the year ended 31 December 2023 and 2022 for fair value measurements into Level 3 of the fair value hierarchy:

	2023	2022
Balance at 1 January	12,285	-
Transfer from Level 1	-	15,387
Net interest income	350	620
Interest received	(232)	(426)
Repayment	(6,706)	-
Net gain on change in fair value	558	(3,296)
Balance at 31 December	6,255	12,285

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

The table below sets out information about significant unobservable inputs used at year end in the measuring fair value of net assets categorised as Level 3 in the fair value hierarchy as at 31 December 2023, together with a sensitivity analysis for shifts in these inputs which the Bank considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

	Fair value of financial assets KZT'000	Valuation technique	Significant unobservable inputs	Reasonable shift	Sensitivity analysis of fair value to unobservable inputs
31 December 2023	6,255	Cash price method of securities database	Bid-ask spreads	+/-10.0%	626

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

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (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 2023.

	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	1,353,334	-	1,353,334	1,353,334
Investment financial assets at amortised cost	104,760	-	104,760	106,659
Due from banks	39,483	-	39,483	39,483
Loans to customers and banks	2,868,885	42,627	2,911,512	2,928,849
Other financial assets	29,826	-	29,826	29,826
Liabilities				
Due to banks and financial institutions	181,891	-	181,891	181,891
Customer accounts	4,019,165	-	4,019,165	4,022,068
Debt securities issued	65,859	-	65,859	70,532
Subordinated bonds	57,386	-	57,386	58,587
Other financial liabilities	521,670	-	521,670	521,670

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	1,135,957	-	1,135,957	1,135,957
Investment financial assets at amortised cost	221,795	-	221,795	223,679
Due from banks	35,799	-	35,799	35,799
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

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(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 2023		31 December 2022	
	Related party transactions	Average nominal interest rate	Related party transactions	Average nominal interest rate
Loans to customers and banks, gross	25,353		25,922	
- key management personnel of the Group				
- <i>in KZT</i>	97	10.36%	34	8.10%
- close relatives of key management personnel				
- <i>in KZT</i>	25	3.86%	50	7.10%
- entities under common control				
- <i>in USD</i>	24,055	5.00%	24,482	5.00%
- <i>in KZT</i>	1,176	19.00%	1,356	12.84%
Provision for losses on loans to customers and banks	(18,764)		(15,116)	
- entities under common control	(18,764)		(15,116)	
Customer accounts	6,684		4,836	
- key management personnel of the Group				
- <i>in KZT</i>	298	14.06%	361	13.2%
- <i>in USD</i>	748	0.79%	534	0.76%
- <i>in other currencies</i>	80	0.10%	31	0.10%
- close relatives of key management personnel				
- <i>in KZT</i>	3,004	14.00%	3,167	14.40%
- <i>in USD</i>	368	1.5%	432	0.75%
- <i>in other currencies</i>	14	-	23	1.20%
- other				
- <i>in KZT</i>	298	14.37%	146	10.80%
- <i>in USD</i>	1,855	0.75%	139	2.10%
- <i>in other currencies</i>	19	0.10%	3	4.98%

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.

JOINT STOCK COMPANY BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Kazakhstani tenge unless otherwise stated)

34. RELATED PARTY TRANSACTIONS, CONTINUED

Included in the consolidated statement of profit or loss for the year ended 31 December 2023 and 2022 are the following amounts, which arose due to transactions with related parties:

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income	196	1,618
- key management personnel of the Group	7	2
- close relatives of key management personnel	1	3
- entities under common control	188	1,613
Interest expense	(582)	(370)
- key management personnel of the Group	(75)	(38)
- close relatives of key management personnel	(431)	(324)
- other	(76)	(8)
Expected credit loss allowance on loans to customers and banks	(3,803)	(5,603)
- entities under common control	(3,803)	(5,603)
Operating expenses	(1,290)	(935)
- key management personnel of the Group	(1,290)	(935)

Key management personnel remuneration for the years ended 31 December 2023 and 2022 represent short-term employee benefits. Total remuneration of members of the Board of Directors and the Management Board amounted to KZT 1,132 million and KZT 673 million for the years ended 31 December 2023 and 2022, respectively.

35. SUBSEQUENT EVENTS

The Management Board of the ARDFM adopted Resolution No.1 of 23 January 2024 “On Granting of the Permission to Joint Stock Company Bank CenterCredit for Establishing a Subsidiary – Limited Liability Partnership BCC-HUB”. On 9 February 2024, the legal entity passed the state registration.

On 19 January 2024 the Bank was categorised as systemically important bank as per the Rules of Categorising Financial Organisations as Systemically Important approved by the Resolution of the Management Board of the NBRK No.240 dated 23 December 2019 and in accordance with the Order of the Governor of the NBRK No.17 of 19 January 2024.