Subsidiary JSC VTB Bank (Kazakhstan)

Financial Statements

for 2022
together with independent auditor's report

CONTENT

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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Sholpanai Kudaibergenova
CEO/Auditor
«IAC «Russell Bedford A+ Partners» LLP

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF SUBSIDIARY JSC VTB BANK (KAZAKHSTAN)

OPINION

We have audited the accompanying separate financial statements of Subsidiary Joint Stock Company VTB Bank (hereinafter – the Bank), which comprise the statement of financial position on December 31, 2022, the statement comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2022 and its financial performance and its cash flows for 2022 in accordance with International Financial Reporting Standards (IFRS).

THE BASIS FOR THE EXPRESSION OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities in accordance with these standards are described further in the "Auditor's Responsibility for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the Rules on the Independence of Auditors and Auditing Organizations and the Code of Professional Ethics for Auditors, consistent with the International Code of Ethics for Professional Accountants (including international standards of independence) developed by the International Ethics Standards Board for Professional Accountants, and we fulfill other duties in accordance with these requirements of professional ethics.
We believe that the audit evidence we have obtained is sufficient and appropriate to warrant the expression of 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 annual financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	Audit procedures for key audit matters
Allowance for expected credit losses on loans to customers	
Estimation of allowance for expected credit losses (ECL) on loans to customers in accordance with IFRS 9 Financial Instruments is a key area of the Bank's management. Identification of factors of a significant increase in credit risk since initial recognition of an asset, including identification of changes in risk of default during the remaining life of a financial instrument as well as determining of probability of default and loss given at default rates, require significant use of professional judgment, assumptions and analysis of historical, current and forward-looking information. The use of different models and assumptions can significantly affect the amount of the provision for ECL on loans to customers. Due to the substantial amount of loans to customers and the significant use of professional judgment, estimation of allowance for ECL on loans to customers. As disclosed in Note 10 to the Bank's annual financial statements at 31 December 2022 and 31 December 2021, the Bank recognized a total amount of loans to customers in the amount of KZT 107,055,843 thousand and in the amount of KZT 210,862,584 thousand, with corresponding allowance for ECLs in the amount of KZT 13,359,565 thousand and in the amount of KZT 14,077,477 thousand respectively. In accordance with IFRS 9, the Bank applies internal ECL model to create allowances for impairment of financial assets. The key principle of this model is reflection of deterioration of credit quality of financial assets, taking into account the use of reasonable and verifiable retrospective information, current economic conditions and reasonable forecasts of future events and economic conditions; probabilistic nature of values obtained as a result of evaluating all possible outcomes; application of the concept of time value of money. Based on data on financial ratios, operating environment of the Bank's borrowers, macroeconomic indicators, projected cash flows, etc., the model generates an appropriate default indicator for a group of the Bank's borrowers assessed collectively and for each borrower of the Bank assessed individually. Information about the ECL and the Bank's management's approach to assessing the provisions for CGS is disclosed in Notes 3 "Summary of Significant Accounting Policies", 10 "Loans to Customers" and 27 "Risk Management" to the annual financial statements.	Audit procedures performed in this area included: - Analysis of the methodology for estimation the allowance for expected credit losses; - Analysis and testing of controls on identification of factors of significant increase in credit risk since initial recognition, including: debt overdue period, availability of restructuring, existence of negative information about the borrower and other factors; - assessing the reasonableness of the Bank's management assumptions and inputs used in the model, including analysis of projected macroeconomic indicators; - We performed, on a sample basis, testing of input data and analysis of the assumptions used by the Bank in estimating allowance for expected credit losses, including historical data on debt servicing, expected recoveries in the event of default from the sale of collateral, and cash repayment; - We analyzed the macroeconomic projections and scenario weights used by the Bank in the ECL calculation model; - For the individual assessment of the allowance for ECL, we performed on a sample basis, analysis of financial and non-financial information on borrower and scenarios of recovery in the Bank including through the sale of collateral. - We performed a recalculation of allowance for ECL; - We analyzed the information on allowance for ECL disclosed in the notes to the financial statements.

OTHER INFORMATION

The audit of the financial statements for the year ended December 31, 2021 was conducted by another auditor who expressed an unmodified opinion on these statements on February 25, 2022.

OTHER INFORMATION

Management of the Bank is responsible for the other information. The other information includes the information contained in the Annual Report for 2022, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.
Our opinion on the Bank's financial statements does not cover the other information and we do not express any form of assurance conclusion on the information.

In connection with our audit of the Bank's financial statements, our responsibility is to read the other information when it is made available to us and, in doing so, to consider whether there are material inconsistencies between the other information and the Bank's financial statements or our knowledge, obtained in the course of the audit, and whether the other information contains other material misstatements. If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to communicate the matter to Board of Directors.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management of the Bank is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as responsible, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

a) identify and assess the risks of material misstatement of the financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error because fraud may include collusion, forgery, omission, misrepresentation, or circumvention of internal controls;
b) obtain an understanding of the internal control system 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 Bank's internal control system;
c) evaluate the appropriateness of the accounting policies used and the reasonableness of management estimates and related disclosures;
d) conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to be able to continue as a going concern;

e) evaluate the presentation of the financial statements as a whole, structure and content, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures their fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence1 and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Bakyt Zhumadylov Review Engagement Partner	Mikhail Bryukhanov Assignment Partner
Auditor Qualification Certificate No. MF-0001686 dated 06/30/2021	Qualification certificate of the auditor No. 06-000025 dated 12/20/2011

АУДИТОР
Біліктілік куәлігі
МФ-0001686

6 March, 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(In thousands of tenge)

	Note	December 31 2022	December 31 2021
Assets			
Cash and cash equivalents	6	**73.984.944**	260.182.713
Trading securities	7	–	26.621.973
Amounts due from financial institutions	8	**3.049.487**	6.646.035
Derivative financial assets	9	–	141.449
Loans to customers	10	**93.696.278**	196.785.107
Property and equipment and right –of-use assets	11	**6.012.520**	5.515.298
Intangible assets	12	**4.934.763**	4.548.325
Current corporate income tax assets	13	**411.202**	–
Deferred corporate income tax assets	13	**7.750.110**	–
Other assets	14	**3.049.941**	2.277.609
Total assets		**192.889.245**	502.718.509
Liabilities			
Amounts due to banks and other financial institutions	15	**58.251.193**	33.127.421
Government grants		–	2.041.347
Derivative financial liabilities	9	**1.406.000**	124
Amounts due to customers	16	**55.313.618**	391.181.023
Debt securities issued	17	**28.530.765**	27.991.174
Lease liabilities	18	**1.938.409**	1.521.731
Subordinated debt	19	–	8.663.252
Current corporate income tax liabilities	13	–	39.867
Deferred corporate income tax liabilities	13	–	475.474
Other liabilities	14	**2.524.352**	2.936.349
Total liabilities		**147.964.337**	467.977.762
Equity			
Share capital	20	**73.757.000**	29.957.000
Retained earnings/(accumulated deficit)		**(28.832.092)**	4.783.747
Total equity		**44.924.908**	34.740.747
Total equity and liabilities		**192.889.245**	502.718.509

signed and authorized for release on behalf of the Management board of the Bank:

D.A. Zabello — Chairperson of the Management Board

A.V.Lavrentyeva — Chief Accountant

March 6 2023

The accompanying notes on pages 5 to 72 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(In thousands of tenge)

	Note	*2022*	*2021*
Interest revenue calculated using effective interest rate			
Cash and cash equivalents		401.258	12.937.294
Amounts due from financial institutions		290.723	504.262
Loans to customers		25.897.706	23.923.197
		26.589.687	37.364.753
Other interest income			
Trading securities		729.302	2.136.057
		27.318.989	39.500.810
Interest expense			
Amounts due to banks and other financial institutions		(12.349.765)	(2.477.390)
Amounts due to customers		(4.796.580)	(12.144.168)
Debt securities issued		(3.112.410)	(2.059.116)
Subordinated debt		(839.833)	(774.770)
Lease liabilities	18	(232.987)	(175.418)
		(21.331.575)	(17.630.862)
Net interest income before credit loss expense		5.987.414	21.869.948
Credit loss expense	21	(5.297.393)	(2.174.483)
Net interest income		690.021	19.695.465
Net fee and commission income	23	4.876.867	4.874.211
Net gains from government grants	15	–	88.225
Net losses on derecognition of financial assets at fair value through other comprehensive income		–	(8)
Net (losses)/ gains from transactions with financial instruments at fair value through profit or loss		(116.478)	59.293
Net (losses)/gains from transactions in foreign currencies:			
- dealing		4.147.837	(1.294.393)
- translation differences	24	(40.841.134)	(795.585)
Other income	24	308.082	86.634
Non-interest (losses)/income		(31.624.826)	3.018.377
Personnel expenses	25	(7.150.342)	(7.812.204)
Other operating expenses	25	(2.328.852)	(3.326.345)
Depreciation and amortisation	11, 12	(1.247.998)	(1.048.058)
Taxes other than corporate income tax		(71.837)	(81.689)
Other expenses		(160.167)	(185.256)
Non-interest expenses		(10.959.196)	(12.453.552)
(Losses)/Profit before corporate income tax expense		(41.894.001)	10.260.290
Corporate income tax expense	13	8.278.162	(1.957.099)
Profit for the year		(33.615.839)	8.303.191
Other comprehensive income		–	–
Total comprehensive income for the year		(33.615.839)	8.303.191
Basic and diluted earnings per share (in tenge)	26	(4.557,65)	2.771,70

The accompanying notes on pages 5 to 72 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(In thousands of tenge)

	Note	*Share capital*	*Retained earnings/ (accumulated deficit)*	*Total equity*
As at 1 January 2021		29.957.000	(3.519.444)	26.437.556
Profit for the year		–	8.303.191	8.303.191
Total comprehensive income for the year		–	8.303.191	8.303.191
As at 31 December 2021		29.957.000	4.783.747	34.740.747
Increase in share capital	20	**43.800.000**	–	**43.800.000**
Loss for the year		–	**(33.615.839)**	**(33.615.839)**
Total comprehensive income for the year		**43.800.000**	**(33.615.839)**	**10.184.161**
As at 31 December 2022		**73.757.000**	**(28.832.092)**	**44.924.908**

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(In thousands of tenge)

	Note	*2022*	*2021*
Cash flows from operating activities			
Interest income received		**24.614.972**	35.208.159
Interest expenses paid		**(14.695.815)**	(15.550.685)
Fees and commissions received		**5.386.900**	6.060.949
Fees and commissions paid		**(586.771)**	(1.075.892)
Realised gains less losses from dealing in foreign currencies		**5.695.162**	(1.240.846)
Personnel expenses paid		**(7.396.567)**	(7.245.126)
Other operating expenses paid		**(2.705.557)**	(3.088.921)
Cash flows from operating activities before changes in operating assets and liabilities		**10.312.324**	13.067.638
Net decrease/(increase) in operating assets			
Trading securities		**27.234.797**	896.093
Amounts due from financial institutions		**3.110.529**	173.354
Loans to customers		**101.939.449**	(33.660.371)
Other assets		**(110.937)**	543.023
Net increase / (decrease) in operating liabilities			
Amounts due to banks and other financial institutions		**(13.437.172)**	448.857
Amounts due to customers		**(355.058.176)**	156.237.727
Other liabilities		**(840.275)**	(61.162)
Net cash from operating activities before corporate income tax		**(226.849.461)**	137.645.159
Corporate income tax paid		**(398.491)**	(1.564.324)
Net cash flows from operating activities		**(227.247.952)**	136.080.835
Cash flows from investing activities			
Purchase of property and equipment		**(736.962)**	(1.378.318)
Purchase of intangible assets		**(787.931)**	(525.057)
Net cash from/(used in) investing activities		**(1.524.893)**	(1.903.375)
Cash flows from investing activities			
Proceeds from share issuance		**43.800.000**	–
Subordinated debt		**(11.535.000)**	–
Lease payments	18	**(412.664)**	(493.003)
Proceeds from debt securities issued	31	–	27.359.689
Redemption of debt securities issued	31	–	(15.022.677)
Net cash from/(used in) financing activities		**31.852.336**	11.844.009
Effect of exchange rates changes on cash and cash equivalents		**10.722.740**	14.281
Net increase in cash and cash equivalents		**(186.197.769)**	146.035.750
Cash and cash equivalents, beginning		260.182.713	114.146.963
Cash and cash equivalents, ending	6	**73.984.944**	**260.182.713**
Non-cash transactions			
Repossession of collateral		122.500	376.054

The accompanying notes on pages 5 to 72 are an integral part of these financial statements.

(In thousands of tenge, unless otherwise indicated)

1. Principal activities

Subsidiary JSC VTB Bank (Kazakhstan) (the "Bank") was formed on 19 September 2008 as a joint stock company under the laws of the Republic of Kazakhstan. As at 31 December 2022, the Bank operated under a general license for conducting banking and other activities and operations on securities market No. 1.2.14/39 issued by the National Bank of the Republic of Kazakhstan (the "NBRK") on 3 February 2020, which supersedes previous licenses.

The Bank accepts deposits from the public and extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

The registered and actual address of the Bank is : 26/29 Timiryazev Str., Almaty, 050040, Republic of Kazakhstan. As at 31 December 2022 the Bank had 12 branches throughout the Republic of Kazakhstan (as at 31 December 2022: 17 branches).

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

As at 31 December 2022 and 2021, the sole shareholder of the Bank is Public Joint-Stock Company Bank VTB (Russia) (the "Parent"). The ultimate controlling party of the Bank is the Government of the Russian Federation.

2. Basis of preparation

General

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

These financial statements are prepared under the historical cost convention except as mentioned in Summary of significant accounting policies.

The financial statements are presented in thousands of tenge ("KZT" or "tenge"), unless otherwise indicated.

As at 31 December 2022, the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 462.65 for 1 US Dollar (as at 31 December 2021: KZT 431.80 for 1 US Dollar).

The financial statements of the Bank have been prepared on the assumption that the Bank will be able to continue as a going concern based on expectations and estimates made by management. The availability of sufficient funding and the Bank's ability to continue meeting its existing obligations are important for the going concern assumption. These expectations and estimates can be influenced by events, such as future support from the Shareholder, expected future cash flows and projected financial results. The management of the Bank believes that the Bank will continue its operations in the foreseeable future and, if necessary, is able to obtain the necessary financial support from the Shareholder

Estimation uncertainty

To the extent that information is available as at 31 December 2022, the Bank has reflected revised estimates of expected future cash flows in its ECL assessment (Note 10) and estimation of fair value of financial instruments (Note 28).

Functional and presentation currency of financial statements

The functional currency of the Bank is tenge as, being the national currency of the Republic of Kazakhstan, reflects the economic substance of the majority of the Bank's transactions and circumstances relevant to them that affect its activities.

The Kazakh tenge is also the presentation currency for the purposes of these financial statements.

Financial information of the financial statements is rounded to the nearest thousand.

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(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies

Changes in accounting policy

The same accounting policies and methods of computation were applied in the preparation of the financial statements for the year 2022 as were applied in the preparation of the financial statements for the year 2021.

The following amendments to standards and interpretations became effective for the Bank from 1 January 2022, but did not have any material effect on the 2022 financial statements:

- Amendments to IFRS 16 Property, Plant and Equipment - "Revenue before deemed use";
- Amendments to IFRS 3 "Conceptual Framework References";
- Amendments to IFRS 37 "Loss Contracts - Cost of Contract Performance»

Fair value measurement

The Bank measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Information on fair value of financial instruments measured at amortised cost is disclosed in *Note 28*.

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

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

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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3. Summary of accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

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

Amounts due from financial institutions and loans to customers

The Bank only measures amounts due from financial institutions, loans to customers and other financial assets at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

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(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

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(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan or a letter of credit with pre-specified terms to the customer. Commitments to extend loans and letters of credit are described in IFRS 9 as fixed contractual obligations to provide a loan or letter of credit under certain conditions. The requirements for assessing ECL apply to such obligations.

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

Performance guarantees

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

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRK and deposits and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

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3. Summary of accounting policies (continued)

Derivative financial instruments

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

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

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

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

Borrowings

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

Leases

i. Bank as a lessee

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

3. Summary of accounting policies (continued)

Leases (Continued)

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and lease contracts for which the underlying asset is of low value (low value assets).

ii. Operating – Bank as lessor

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

iii. Finance – Bank as lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Lease (Continued)

iv. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI). When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss, presented within interest revenue calculated using effective interest rate in profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Bank first applies the practical expedient described in *Note 3*, to reflect the change in referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the Bank applies judgment to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Bank adjusts the gross carrying value of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'passthrough' arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying value of the asset and the maximum amount of consideration that the Bank could be required to repay.

Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying value. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying values is recognised in profit or loss.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from related expense when they are recorded in the financial statements.

When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

A benefit from a loan provided by the government at a below market rate of interest are treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit from using a below market rate of interest is measured as the difference between the original carrying value of the loan determined in accordance with IFRS 9, and the proceeds received.

3. Summary of accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred income tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Republic of Kazakhstan also has various operating taxes, that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Leasehold improvements	10
Buildings	50
Computer equipment	2-10
Vehicles	10
Other	2-16

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include software and licenses and are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives from 5 to 24 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments. These expenses are charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or other compensated benefits requiring accrual.

Share capital

Common shares are classified as equity. Share capital is measured at the fair value of consideration received. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised.

Segment reporting

The Bank's segmental reporting is based on the following operating segments: "Corporate - investment banking, (including following sub-segments: "Investment - banking", "Loans and deposits" and "Transactional banking"), "Medium corporate business" (including following sub-segments: "Investment - banking", "Loans and deposits" and "Transactional banking"), "Retail business", "Treasury" and "Other".

Contingent assets and liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Recognition of income and expenses (Continued)
Interest and similar income and expense

The Bank calculates interest revenue on debt financial assets measured at amortised cost or at FVOCI by applying the effective interest rate to the gross carrying value of financial assets other than credit-impaired financial assets. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying value of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying value is calculated based on the original effective interest rate and the change in carrying value is recorded as interest revenue or expense.

In case of a financial asset that becomes credit impaired, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest revenue on a gross basis.

For POCI financial assets, the Bank calculates interest revenue by applying the credit risk adjusted effective interest rate to the amortised cost of the financial asset. The credit-adjusted effective interest rate is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the statement of comprehensive income.

Fee and commission income and expenses

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time
Fee and commission income obtained for rendering the services during a certain period of time are accrued during this period. These items include commission income and fees for the issuance of guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loans.

Commission income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as purchase or sale of currency, transfer transactions or cash transactions are recognised on completion of such transaction.

The Bank's expenses for the agent's services are recognised as fee and commission expenses in the statement of comprehensive income

3. Summary of accounting policies (continued)

Foreign currency translation

The financial statements are presented in Kazakh Tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially translated into functional currency at the official exchange rate at the date of the transaction established by the Kazakhstan Stock Exchange (the "KASE") and published by the NBRK. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as net gains/(losses) from transactions in foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate on the date of the transaction are included in net gains/(losses) from dealing in foreign currencies.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

The amendments remove inconsistencies between the requirements in IFRS 10 and IAS 28 related to the sale or contribution of assets to an associate or joint venture by an investor. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. When assets do not constitute a business, even if those assets are held by a subsidiary, only a portion of the gain or loss is recognized. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The amendments include a number of clarifications to facilitate the implementation of IFRS 17 and to simplify the individual requirements of the standard and the transition. The amendments are relevant to eight areas within IFRS 17 and do not change the underlying principles of the standard. The following amendments were made to IFRS 17:

- *Effective Date*: The effective date of IFRS 17 (as amended) has been deferred for two years. The standard must be applied for annual periods beginning on or after 1 January 2023. The temporary exemption in IFRS 4 has also been extended to annual periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows*: Entities are required to allocate some of their acquisition costs to eligible contracts that are expected to be renewed and recognize those costs as an asset until the entity recognizes the contract renewal. Entities are required to assess the recoverability of the asset at each reporting date and provide information about the specific asset in the notes to the financial statements.
- *Margin for contractual services* that are attributable to investment services: units of coverage should be allocated based on the amount of benefits and expected period of both insurance coverage and investment services for variable fee contracts and other contracts with investment income services in accordance with the general model. Costs associated with investment activities should be included as cash flows within the insurance contract boundary when the entity engages in such activities to enhance the benefits of insurance coverage for the policyholder.

(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). (continued)

- *Acquired reinsurance contracts - recoverable losses:* When an entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or on the addition of onerous underlying insurance contracts to the group, the entity should adjust the contractual margin for the related group of acquired reinsurance contracts and recognize a gain on such reinsurance contracts. The amount of loss recoverable under a reinsurance contract is determined by multiplying the loss recognized under the underlying insurance contracts and the percentage of claims under the underlying insurance contracts that the entity expects to recover under the acquired reinsurance contract. This requirement would apply only if the acquired reinsurance contract is recognized prior to or concurrently with the recognition of the loss on the underlying insurance contracts.
- *Other amendments Other amendments include scope exceptions for certain credit card (or similar) contracts and for certain loan contracts;* presentation of insurance contract assets and liabilities on the statement of financial position in portfolios rather than groups; applicability of the risk mitigation option for financial risk mitigation through purchased reinsurance contracts and non-derivative financial instruments at fair value through profit or loss; accounting policy choices for modified.

The Bank does not intend to adopt IFRS 17 and the amendments will have no impact on the Bank's financial statements.

Classification of Liabilities as Current and Non-Current - Amendments to IAS 1 (issued January 23, 2020 and effective for annual periods beginning on or after January 1, 2022).

These narrow scope amendments clarify that liabilities are classified as current and non-current based on the rights existing at the end of the reporting period. Liabilities are non-current if the entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months. Management no longer requires that such a right be unconditional. Management's expectations as to whether it will subsequently exercise its right to defer settlement do not affect the classification of liabilities. The right to defer settlement arises only if the entity satisfies all applicable conditions at period end. A liability is classified as current if the condition is breached on or before the reporting date, even if a release from the lender is obtained at the end of the reporting period. At the same time, a loan is classified as long-term if the condition in the loan agreement is not breached until after the reporting date. In addition, the amendments clarify the requirements for the classification of debt that an entity may repay by converting it into equity. "Repayment" is defined as the termination of an obligation through settlement in the form of cash, other resources containing economic benefits, or the entity's own equity instruments. An exception is provided for convertible instruments that can be converted to equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Bank is currently assessing the impact of the amendments on its financial statements.

Classification of Liabilities as Current and Non-Current - Moving Forward the Effective Date - Amendments to IAS 1 (issued July 15, 2020 and effective for annual periods beginning on or after January 1, 2023).

The amendments to IAS 1 regarding the classification of liabilities into current and non-current were issued in January 2020 with an initial effective date of January 1, 2022. However, due to the COVID-19 pandemic, the effective date has been pushed back by one year to give entities more time to implement changes related to classification as a result of the amendments. The Bank is currently evaluating the impact the amendments will have on its financial statements

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3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).

IAS 1 was amended to require entities to disclose significant information about their accounting policies in lieu of significant accounting policies. The amendments include a definition of significant accounting policy disclosures. Furthermore, the amendments clarify that accounting policy information is expected to be material if, without it, users of financial statements would not understand other material information in the financial statements. The amendments provide examples of accounting policy information that would likely be material to an entity's financial statements. In addition, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if such information is disclosed, it should not make it difficult to understand the significant accounting policy information. This amendment is supported by revisions to IFRS Practice Statement 2, Making judgements about materiality, which provides guidance on how to apply the concept of materiality to accounting policy disclosures. The Bank is currently assessing the impact of the amendments on its financial statements.

Amendment to IAS 8, "Determining Accounting Estimates" (issued 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 8 clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The Bank is currently assessing the impact of the amendments on its financial statements.

Deferred tax on assets and liabilities arising from the same transaction - Amendments to IAS 12 (issued 7 May 2021, effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and asset retirement obligations. In certain circumstances, entities are exempt from recognizing deferred tax on initial recognition of assets or liabilities. Previously, there was uncertainty about the application of this exemption to transactions such as leases and asset retirement obligations - transactions for which both an asset and a liability are recognized simultaneously. The amendments clarify that this exception does not apply and those entities are required to recognize deferred tax on such transactions. The amendments require entities to recognise deferred tax on transactions that generate taxable and deductible temporary differences on initial recognition. The Bank is currently assessing the impact of the amendments on its financial statements.

Sale and leaseback lease liabilities - Amendments to IFRS 16 (issued 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

The amendments apply to sale and leaseback transactions where the transfer of an asset qualifies as a 'sale' in accordance with IFRS 15 and the lease payments include variable lease payments that do not depend on an index or rate. The amendments specify subsequent measurement requirements for sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure the lease liability arising from the leaseback so that it does not recognize any gain or loss relating to the right of use it retains. Any gain or loss associated with the termination of a lease, in whole or in part, continues to be recognized as it arises because it relates to the terminated right of use and not the right of use that the seller-lessee retains. The amendments do not provide for any particular method of subsequent measurement. However, they do include illustrative examples with initial and subsequent measurement of lease obligations when there are variable payments that do not depend on an index or rate. The Bank is currently evaluating the impact of these amendments on the financial statements.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Non-current liabilities with covenants - Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

The amendments clarify the previous amendments to IAS 1 regarding the classification of liabilities into current and non-current, issued in January 2020, which would have been effective for annual periods beginning on or after January 1, 2023. Under the 2020 amendments, an entity would not have the right to defer settlement of a liability (and, accordingly, such a liability would have to be classified as current) when the covenants would be considered outstanding based on conditions as of the reporting period end date, even if verification of compliance was performed by the creditor within twelve months after that date. The 2022 amendments clarify that covenants in loan agreements that an entity is not required to comply with until after the reporting period end date would not affect the classification of liabilities as current or non-current at the reporting date. However, covenants in loan agreements that an entity is required to comply with on or before the reporting date will affect the classification of a liability as current or non-current even if they are tested only after the reporting date. The 2022 amendments impose additional disclosure requirements in situations in which an entity classifies a liability arising from a loan agreement as non-current and that liability is subject to covenants in the loan agreement that the entity is required to comply with for twelve months after the balance sheet date, so that users of financial statements are able to understand the risk that the liability could become due for settlement within twelve months after the Additional disclosures include: (a) the carrying amount of the liability; (b) information about covenants in loan agreements; and (c) facts and circumstances, if any, that indicate that the entity may have difficulty meeting covenants in loan agreements. The 2022 amendments are effective for annual periods beginning on or after January 1, 2024, and amend the 2020 amendments. Unless otherwise described above, these new standards and interpretations are not expected to significantly affect the Bank's financial statements.

4. Significant accounting judgments and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional term of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Bank considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Additional details are provided in Note 28.

Expected credit losses from financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, the occurrence of large-scale business disruptions potentially give rise to liquidity issues for certain entities and consumers. The deterioration in the credit quality of loan portfolios and trade receivables (among other things), as a result of the COVID-19 pandemic may have a significant impact on ECL measurement. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

Leases – estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as when the Bank did not enter into financing transactions for the appropriate period) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when the lease term differs from the financing term).

The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

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4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant number of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Assessment of recoverability of deferred corporate income tax assets requires to use subjective judgements by the Bank's management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred corporate income tax assets as at 31 December 2021 are recorded to the extent that it is probable that future taxable profits will be available to cover temporary differences, unused tax losses and unused tax benefits, and deferred corporate income tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

5. Segment information

Disclosure of segment information is presented on the basis consistent with IFRS data about reportable segments, adjusted, if necessary, on intersegment reallocation. Qualitative and quantitative information about operating segments is reported to the management of the Bank in order to make decisions about allocation of resources to the segment and assess its performance.

Income disclosed in this note comprises the following: net interest income, net commission income, gains less losses on transactions with financial assets at fair value through profit or loss, gains less losses from foreign currencies and other operating income. Each of these items is considered in determining the income of a particular sub-segment /segment without sub-segments, if its value for this sub-segment /segment without sub-segments is positive. Totals are calculated as the sum of item-by-item components.

Transactions between segments are carried out mainly in the normal course of business.

Below is the information about the reportable segments of the Bank as at 31 December 2022 and 2021, and segment results for the years ended 31 December 2022 and 2021.

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(In thousands of tenge, unless otherwise indicated)

5. Segment information (continued)

2022	Corporate - investment banking: Investment banking	Corporate - investment banking: Loans and deposits	Corporate - investment banking: Transactional business	Total CIB	Medium corporate business: Investment banking	Medium corporate business: Loans and deposits	Medium corporate business: Transactional business	Total MCB	Retail Banking	Treasury	Total prior to elimination of intersegment transactions	Elimination of intersegment transactions	Total
Cash and cash equivalents	–	–	1.762.104	1.762.104	–	–	9.396.062	9.396.062	17.154.702	45.672.076	73.984.944	–	73.984.944
Amounts due from financial institutions	106.569	–	–	106.569	–	–	–	–	–	2.942.918	3.049.487	–	3.049.487
Loans to customers	–	21.250.061	–	21.250.061	–	16.283.780	–	16.283.780	56.162.437	–	93.696.278	–	93.696.278
Property and equipment and right-of-use assets	159.233	162.391	182.468	504.092	60.572	628.166	847.555	1.536.293	3.770.915	201.220	6.012.520	–	6.312.520
Intangible assets	162.508	148.973	180.695	492.176	30.177	551.822	820.674	1.402.673	3.027.791	12.123	4.934.763	–	4.934.763
Current corporate income tax assets	15.181	17.837	21.186	54.204	6.760	51.670	66.783	125.213	230.255	1.530	411.202	–	411.202
Deferred corporate income tax assets	–	27.496	–	27.496	–	72.496	–	72.496	755.363	6.894.755	7.750.110	–	7.750.110
Other assets	44.550	187.053	45.903	277.506	11.083	511.193	183.891	706.167	2.057.802	8.466	3.049.941	–	3.049.941
Intersegment /intersub-segment transfer of funds	1.652.704	5.841.535	23.119.661	30.613.900	55.578	9.067.013	19.796.869	28.919.460	43.057.208	90.298.677	192.889.245	(192.889.245)	–
Total assets	2.140.745	27.635.346	25.312.017	55.088.108	164.170	27.166.140	31.111.834	58.442.144	126.216.473	146.031.765	385.778.490	(192.889.245)	192.889.245
Amounts due to banks and other financial institutions	–	–	–	–	–	–	–	–	8.247	58.242.946	58.251.193	–	58.251.193
Derivative financial liabilities	–	–	–	–	–	–	–	–	–	1.406.000	1.406.000	–	1.406.000
Amounts due to customers	–	50	20.135.283	20.135.333	–	132.294	17.207.773	17.340.067	17.838.218	–	55.313.618	–	55.313.618
Debt securities issued	–	–	–	–	–	–	–	–	–	28.530.765	28.530.765	–	28.530.765
Lease liabilities	49.941	58.366	70.153	178.460	24.119	280.372	392.175	696.666	1.058.273	5.010	1.938.409	–	1.938.409
Other liabilities	101.135	96.399	99.365	296.899	28.187	187.011	487.245	702.443	1.518.241	6.769	2.524.352	–	2.524.352
Intersegment /intersub-segment transfer of funds	488.041	21.793.811	2.192.356	24.474.208	108.622	18.099.097	11.314.965	29.522.684	83.159.265	55.733.088	192.889.245	(192.889.245)	–
Total liabilities	639.117	21.948.626	22.497.157	45.084.900	160.928	18.698.774	29.402.158	48.261.860	103.582.244	143.924.578	340.853.582	(192.889.245)	147.964.337
Total capital	1.501.628	5.686.720	2.814.860	10.003.208	3.242	8.467.366	1.709.676	10.180.284	22.634.229	2.107.187	44.924.908	–	44.924.908
Total capital and liabilities	2.140.745	27.635.346	25.312.017	55.088.108	164.170	27.166.140	31.111.834	58.442.144	126.216.473	146.031.765	385.778.490	(192.889.245)	192.889.245

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(In thousands of tenge, unless otherwise indicated)

5. Segment information (continued)

	Corporate - investment banking («CIB»)								Medium corporate business («MCB»)												Elimination of interseg-ment transacions	Total
	Investment banking		Loans and deposits		Transactional business		Total CIB		Investment banking		Loans and deposits		Transactional business		Total MCB		Retail Banking		Treasury			
2022	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments	External customers	Other segments		
Interest revenue	251.619	–	4.068.044	37.684	–	2.892.747	4.319.663	2.930.431	–	–	5.246.063	248.634	–	2.195.093	5.246.063	2.443.727	16.874.323	2.394.258	878.940	12.951.594	20.720.010	27.318.989
Interest expense	(7.930)	(221.576)	(375.217)	(2.381.822)	(1.800.025)	(75.483)	(2.183.172)	(2.678.881)	(2.845)	–	(499.137)	(3.109.259)	(1.547.072)	(402.500)	(2.049.054)	(3.511.759)	(6.332.939)	(7.127.950)	(10.766.410)	(7.401.420)	(20.720.010)	(21.331.575)
Net interest income before credit loss expense	243.689	(221.576)	3.692.827	(2.344.138)	(1.800.025)	2.817.264	2.136.491	251.550	(2.845)	–	4.746.926	(2.860.625)	(1.547.072)	1.792.593	3.197.009	(1.068.032)	10.541.384	(4.733.692)	(9.887.470)	5.550.174	–	5.987.414
Credit loss expense	(995)	–	32.722	–	1	–	31.728	–	–	–	(570.300)	–	30.130	–	(540.170)	–	(4.402.258)	–	(386.693)	–	–	(5.297.393)
Net interest income	242.694	(221.576)	3.725.549	(2.344.138)	(1.800.024)	2.817.264	2.168.219	251.550	(2.845)	–	4.176.626	(2.860.625)	(1.516.942)	1.792.593	2.656.839	(1.068.032)	6.139.126	(4.733.692)	(10.274.163)	5.550.174	–	690.021
Net fee and commission income	131.001	(59.921)	–	–	87.200	–	218.201	(59.921)	–	59.921	5.187	–	707.064	–	712.251	59.921	3.955.323	–	(8.908)	–	–	4.876.867
Net gains from transactions with financial instruments at fair value through profit or loss	19.391	–	–	–	–	–	19.391	–	–	–	–	–	–	–	–	–	–	–	(135.869)	–	–	(116.478)
Net gains/(losses) from transaction in foreign currencies:																						
dealing	3.949.317	(357.882)	–	–	–	–	3.949.317	(357.882)	–	254.900	–	–	–	–	–	254.900	6.340	102.982	192.180	–	–	4.147.837
- foreign exchange revaluation	15.362	–	–	–	–	–	15.362	–	–	–	–	–	–	–	–	–	–	–	(40.856.496)	–	–	(40.841.134)
Other income	–	–	36.986	–	–	–	36.986	–	–	–	28.481	–	–	–	28.481	–	214.090	–	28.525	–	–	308.082
Non-interest income	4.115.071	(417.803)	36.986	–	87.200	–	4.239.257	(417.803)	–	314.821	33.668	–	707.064	–	740.732	314.821	4.175.753	102.982	(40.780.568)	–	–	(31.624.826)
Net operating profit	4.357.765	(639.379)	3.762.535	(2.344.138)	(1.712.824)	2.817.264	6.407.476	(166.253)	(2.845)	314.821	4.210.294	(2.860.625)	(809.878)	1.792.593	3.397.571	(753.211)	10.314.879	(4.630.710)	(51.054.731)	5.550.174	–	(30.934.805)
Non-interest expenses	(836.380)	–	(697.659)	–	(549.086)	–	(2.083.125)	–	(157.302)	–	(1.662.801)	–	(1.326.812)	–	(3.146.915)	–	(5.674.322)	–	(54.834)	–	–	(10.959.196)
Profit before corporate income tax expense	3.521.385	(639.379)	3.064.876	(2.344.138)	(2.261.910)	2.817.264	4.324.351	(166.253)	(160.147)	314.821	2.547.495	(2.860.625)	(2.136.690)	1.792.593	250.656	(753.211)	4.640.557	(4.630.710)	(51.109.565)	5.550.174	–	(41.894.001)
Corporate income tax expense	(2.036.308)	–	(144.149)	–	(111.071)	–	(2.291.528)	–	(30.934)	–	62.627	–	68.820	–	100.513	–	(1.968)	–	10.471.145	–	–	8.278.162
Profit for the year	1.485.077	(639.379)	2.920.727	(2.344.138)	(2.372.981)	2.817.264	2.032.823	(166.253)	(191.081)	314.821	2.610.120	(2.860.625)	(2.067.870)	1.792.593	351.169	(753.211)	4.638.589	(4.630.710)	(40.638.420)	5.550.174	–	(33.615.839)
Segment result							–	1.866.570							–	(402.042)	–	7.879	–	(35.088.246)		(33.615.839)

All revenues of the Bank are generated in Kazakhstan. Geographic areas of the Bank activities are presented in *Note 27* to these financial statements with reference to the actual location of the counteragent, i.e., based on economic risk rather than legal risk of the counteragent.

(In thousands of tenge, unless otherwise indicated)

5. Segment information (continued)

2021	Corporate - investment banking: Investment banking	Corporate - investment banking: Loans and deposits	Corporate - investment banking: Transactional business	Total CIB	Medium corporate business: Investment banking	Medium corporate business: Loans and deposits	Medium corporate business: Transactional business	Total MCB	Retail Banking	Treasury	Total prior to elimination of intersegment transactions	Elimination of intersegment transactions	Total
Cash and cash equivalents	–	–	276.331	276.331	–	–	2.511.243	2.511.243	4.175.227	253.219.912	260.182.713	–	260.182.713
Amounts due from financial institutions	3.985.878	–	–	3.985.878	–	–	–	–	–	22.636.095	26.621.973	–	26.621.973
Loans to customers	55.030	5.921.411	–	5.976.441	–	497.633	–	497.633	171.369	592	6.646.035	–	6.646.035
Property and equipment and right-of-use assets	18.372	–	–	18.372	–	–	–	–	–	123.077	141.449	–	141.449
Intangible assets	–	70.969.233	–	70.969.233	–	60.078.195	–	60.078.195	65.737.679	–	196.785.107	–	196.785.107
Current corporate income tax assets	134.912	124.390	161.387	420.689	66.856	783.799	994.642	1.845.297	3.099.491	149.821	5.515.298	–	5.515.298
Deferred corporate income tax assets	154.066	152.258	173.565	479.889	118.577	551.858	657.516	1.327.951	2.732.792	7.693	4.548.325	–	4.548.325
Other assets	24.533	79.258	79.863	183.654	–	444.800	156.270	601.070	1.450.472	42.413	2.277.609	–	2.277.609
Intersegment /intersub-segment transfer of funds	355.797	2.798.424	259.390.218	262.544.439	35.291	11.321.515	57.659.186	69.015.992	87.919.567	48.758.524	468.238.522	(468.238.522)	–
Total assets	4.728.588	80.044.974	260.081.364	344.854.926	220.724	73.677.800	61.978.857	135.877.381	165.286.597	324.938.127	970.957.031	(468.238.522)	502.718.509
Amounts due to banks and other financial institutions	–	2.609.369	7.849.112	10.458.481	–	5.682.155	–	5.682.155	4.906.848	12.079.937	33.127.421	–	33.127.421
Government grants	–	–	–	–	–	–	–	–	2.041.347	–	2.041.347	–	2.041.347
Derivative financial liabilities	–	–	–	–	–	–	–	–	–	124	124	–	124
Amounts due to customers	–	–	251.164.438	251.164.438	–	4.730.354	53.317.017	58.047.371	81.969.214	–	391.181.023	–	391.181.023
Debt securities issued	–	–	–	–	–	–	–	–	–	27.991.174	27.991.174	–	27.991.174
Lease liabilities	58.246	53.314	68.603	180.163	26.355	272.263	273.500	572.118	764.379	5.071	1.521.731	–	1.521.731
Subordinated debt	–	–	–	–	–	–	–	–	–	8.663.252	8.663.252	–	8.663.252
Current corporate income tax liabilities	1.145	1.096	1.327	3.568	–	5.792	6.625	12.417	23.258	624	39.867	–	39.867
Deferred corporate income tax liabilities	13.653	13.071	15.825	42.549	8.936	62.986	78.040	149.962	275.521	7.442	475.474	–	475.474
Other liabilities	264.303	110.631	281.722	656.656	–	634.241	466.878	1.101.119	1.169.095	9.479	2.936.349	–	2.936.349
Intersegment /intersub-segment transfer of funds	4.005.475	73.481.054	(3.517.336)	73.969.193	184.937	52.488.180	2.332.450	55.005.567	69.721.804	269.541.958	468.238.522	(468.238.522)	–
Total обязательств	4.342.822	76.268.535	255.863.691	336.475.048	220.228	63.875.971	56.474.510	120.570.709	160.871.466	318.299.061	936.216.284	(468.238.522)	467.977.762
Total capital	385.766	3.776.439	4.217.673	8.379.878	496	9.801.829	5.504.347	15.306.672	4.415.131	6.639.066	34.740.747	–	34.740.747
Total capital and liabilities	4.728.588	80.044.974	260.081.364	344.854.926	220.724	73.677.800	61.978.857	135.877.381	165.286.597	324.938.127	970.957.031	(468.238.522)	502.718.509

(In thousands of tenge, unless otherwise indicated)

5. Segment information (continued)

2021	Corporate - investment banking («CIBs») Investment banking External customers	Other segments	Loans and deposits External customers	Other segments	Transactional business External customers	Other segments	Total CIB External customers	Other segments	Medium corporate business («MCBs») Investment banking External customers	Other segments	Loans and deposits External customers	Other segments	Transactional business External customers	Other segments	Total MCB External customers	Other segments	Retail Banking External customers	Other segments	Treasury External customers	Other segments	Other External customers	Elimination of intersegment transactions	Total
Interest revenue	57.877	–	4.973.645	113.159	–	10.185.875	5.031.522	10.299.034	–	–	7.113.130	947.194	–	3.638.327	7.113.130	4.585.521	12.340.686	2.627.019	15.015.472	12.774.889	–	30.286.463	39.500.810
Interest expense	(5.774)	(54.545)	(270.124)	(3.442.441)	(8.028.040)	(4.267)	(8.303.938)	(3.501.253)	(3.976)	–	(1.496.105)	(4.259.598)	(2.072.658)	(38.713)	(3.572.739)	(4.298.311)	(2.842.670)	(5.398.285)	(2.911.515)	(17.088.614)	–	(30.286.463)	(17.630.862)
Net interest income before credit loss expense	52.103	(54.545)	4.703.521	(3.329.282)	(8.028.040)	10.181.608	(3.272.416)	6.797.781	(3.976)	–	5.617.025	(3.312.404)	(2.072.658)	3.599.614	3.540.391	287.210	9.498.016	(2.771.266)	12.103.957	(4.313.725)	–	–	21.869.548
Credit loss expense	–	–	126.808	–	(18)	–	126.790	–	–	–	(638.454)	–	(202.388)	–	(840.842)	–	(1.455.087)	–	(5.344)	–	–	–	(2.174.483)
Net interest income	52.103	(54.545)	4.830.329	(3.329.282)	(8.028.058)	10.181.608	(3.145.626)	6.797.781	(3.976)	–	4.978.571	(3.312.404)	(2.275.046)	3.599.614	2.699.549	287.210	8.042.929	(2.771.266)	12.098.613	(4.313.725)	–	–	19.695.465
Net fee and commission income	165.519	(72.952)	–	–	125.530	–	291.049	(72.952)	–	72.952	6.221	–	915.957	–	922.178	72.952	3.701.053	–	(40.069)	–	–	–	4.874.211
Gains from government grants	–	–	–	–	–	–	–	–	–	–	110.692	–	–	–	110.692	–	(22.467)	–	–	–	–	–	88.225
Net gains on derecognition of financial assets at fair value through other comprehensive income	(8)	–	–	–	–	–	(8)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8)
Net gains from transactions with financial instruments at fair value through profit or loss	27.726	–	–	–	–	–	27.726	–	–	–	–	–	–	–	–	–	–	–	31.567	–	–	–	59.293
Net gains from transactions in foreign currencies:																							
-dealing	5.607.377	(502.949)	–	–	–		5.607.377	(502.949)	–	430.944	–	–	–	–	–	430.944	4.181	72.005	(6.905.951)	–	–	–	(1.294.393)
-foreign exchange revaluation	(795.585)	–	–	–	–	–	(795.585)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(795.585)
Other operating revenue	1.270	–	206	–	(812)	–	724	–	(3.327)	–	52.556	–	(54.217)	–	(4.988)	–	74.363	–	16.535	–	–	–	86.634
Non-interest income	5.006.299	(575.901)	206	–	124.718	–	5.131.283	(575.901)	(3.327)	503.896	107.469	–	861.740	–	1.027.882	503.896	3.757.130	72.005	(6.897.918)	–	–	–	3.018.577
Net operating profit	5.058.402	(630.446)	4.830.595	(3.329.282)	(7.903.340)	10.181.608	1.985.657	6.221.880	(7.303)	503.896	5.148.040	(3.312.404)	(1.413.306)	3.599.614	3.727.431	791.106	11.800.059	(2.699.261)	5.200.695	(4.313.725)	–	–	22.713.842
Non-interest expenses	(862.434)	–	(608.087)	–	(511.666)	–	(1.982.187)	–	(223.203)	–	(2.163.332)	–	(1.543.126)	–	(3.929.661)	–	(6.294.547)	–	(52.822)	–	(194.335)	–	(12.453.552)
Profit before corporate income tax expense	4.195.968	(630.446)	4.222.508	(3.329.282)	(8.415.006)	10.181.608	3.470	6.221.880	(230.506)	503.896	2.984.708	(3.312.404)	(2.956.432)	3.599.614	(202.230)	791.106	5.505.512	(2.699.261)	5.147.873	(4.313.725)	(194.335)	–	10.260.290
Corporate income tax expense	(643.408)	–	(161.184)	–	(318.788)	–	(1.123.380)	–	(49.334)	–	59.134	–	(116.065)	–	(106.265)	–	(573.272)	–	(154.182)	–	–	–	(1.957.099)
Profit for the year	3.552.560	(630.446)	4.061.324	(3.329.282)	(8.733.794)	10.181.608	(1.119.910)	6.221.880	(279.840)	503.896	3.043.842	(3.312.404)	(3.072.497)	3.599.614	(308.495)	791.106	4.932.240	(2.699.261)	4.993.691	(4.313.725)	(194.335)	–	8.303.191
Segment result							–	5.101.970							–	482.611	–	2.232.979	–	679.966	(194.335)	–	8.303.191

All revenues of the Bank are generated in Kazakhstan. Geographic areas of the Bank activities are presented in *Note 27* to these financial statements with reference to the actual location of the counteragent, i.e. based on economic risk rather than legal risk of the counteragent.

(In thousands of tenge, unless otherwise indicated)

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise:

	2022	*2021*
Cash on hand	**28.312.868**	6.949.810
Cash on current accounts with the NBRK	**44.661.930**	209.360.224
Cash on current accounts, other banks	**1.276.010**	2.373.938
Time deposits with the NBRK up to 90 days	–	41.500.000
	74.250.808	260.183.972
Less: ECL allowance	**(265.864)**	(1.259)
	73.984.944	260.182.713

Under legislation of the Republic of Kazakhstan, the Bank is required to maintain certain obligatory calculated, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held on the current account with the NBRK or cash on hand calculated based on average balances of the aggregate of cash balances on current account with the NBRK or cash on hand during the period of reserve creation.

As at 31 December 2022 and 2021, the obligatory reserves amounted to KZT 2.349.737 thousand and KZT 8.709.900 thousand, respectively.

All balances of cash equivalents are allocated to Stage 1 for ECL measurement purpose. An analysis of changes in ECL allowance for the year ended 31 December are as follows:

	2022	*2021*
ECL allowance as at 1 January	**(1.259)**	(110)
Net change in ECL allowance for the year *(Note 21)*	**(261.641)**	(1.152)
Foreign exchange differences	**(2.964)**	3
ECL allowance as at 31 December	**(265.864)**	(1.259)

7. Trading securities

During 2022, trading securities were sold by the Bank.

As at 31 December 2021 trading securities comprise NBRK notes with total carrying amount of KZT 26,621,973 thousand with maturity in 2022.

8. Amounts due from financial institutions

As at 31 December, amounts due from financial institutions comprise the following:

	2022	*2021*
Loans issued	**3.292.635**	229.239
Restricted cash	–	6.502.486
	3.292.635	6.731.725
Less: ECL allowance	**(243.148)**	(85.690)
	3.049.487	6.646.035

(In thousands of tenge, unless otherwise indicated)

8. Amounts due from financial institutions (continued)

As at 31 December 2022 and 2021, cash restricted in use included the deposits placed as collateral for the Bank's liabilities to the KASE in the amount of KZT 3.122.129 thousand (as at 31 December 2021: KZT 57.040 thousand) and organisations that provide services for conducting payment transactions in the amount of KZT 170.506 thousand (as at 31 December 2021: KZT 172,199 thousand).

All balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes. An analysis of changes in gross carrying value and corresponding ECL allowance for the year is as follows:

	2022	*2021*
Gross carrying value as at 1 January	**6.731.725**	6.814.977
New assets originated or purchased	**603.523.973**	126.306.182
Assets repaid	**(606.864.311)**	(126.452.718)
Net change in accrued interest	**(58.263)**	39.403
Foreign exchange differences	**(40.489)**	23.881
As at 31 December	**3.292.635**	6.731.725

	2022	*2021*
ECL allowance as at 1 January	**(85.690)**	(129.277)
Net change in ECL allowance for the year *(Note 21)*	**(159.674)**	43.663
Foreign exchange differences	**2.216**	(76)
As at 31 December	**(243.148)**	(85.690)

9. Derivative financial assets and liabilities

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2022			*2021*		
	Notional principal amount	*Fair value*		*Notional principal amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreing exchange contracts						
Futures	**7.866.000**	–	**1.406.000**	–	–	–
Forwards - domestic contracts	–	–	–	303.242	18.516	–
Swaps - foreign contracts	–	–	–	13.393.271	122.933	(124)
Derivative financial assets/(liabilities)	**7.866.000**	–	**1.406.000**	13.696.513	141.449	(124)

Futures

Futures are contracts under which the seller undertakes to deliver an asset at a stipulated price within a stipulated period of time.

Swaps

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates based on specified notional amounts.

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers

As at 31 December, loans to customers comprise the following:

	2022	*2021*
Corporate lending	29.621.732	114.916.799
Small business lending	13.319.590	24.383.321
Consumer and other lending	62.087.371	68.915.745
Residential mortgages	2.027.150	2.646.719
Gross loans to customers	107.055.843	210.862.584
Less: ECL allowance	(13.359.565)	(14.077.477)
Loans to customers	93.696.278	196.785.107

ECL allowance of loans to customer

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to corporate lending during the year ended 31 December 2022 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2022	107.813.965	–	6.888.321	214.513	114.916.799
New assets originated or purchased	22.670.821	–	–	–	22.670.821
Assets repaid	(103.922.538)	(982.412)	(4.400.155)	–	(109.305.105)
Transfers to Stage 1	4.268.576	(4.268.576)	–	–	–
Transfers to Stage 2	(826.857)	5.254.311	(4.427.454)	–	–
Transfers to Stage 3	(13.280.439)	–	13.280.439	–	–
Change in interest accrued	638.864	(3.323)	592.465	212.320	1.440.326
Unwinding of discount	–	–	356.056	–	356.056
Recoveries	–	–	–	56.615	56.615
Amounts written off	–	–	(2.404.456)	(257.679)	(2.662.135)
Foreign exchange differences	2.093.676	–	54.679	–	2.148.355
As at 31 December 2022	19.456.068	–	9.939.895	225.769	29.621.732

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	(288.012)	–	(4.894.731)	(25.588)	(5.208.331)
New assets originated or purchased	(99.717)	–	–	–	(99.717)
Assets repaid	276.444	–	224.037	–	500.481
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	55.884	–	(55.884)	–	–
Change in interest accrued	(4.965)	–	(865.005)	(321.658)	(1.191.628)
Unwinding of discount	–	–	(356.056)	–	(356.056)
Recoveries	–	–	–	(56.615)	(56.615)
Amounts written off	–	–	2.404.456	257.679	2.662.135
Foreign exchange differences	(7.743)	–	(51.880)	–	(59.623)
As at 31 December 2022	(68.109)	–	(3.595.063)	(146.182)	(3.809.354)

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to lending to small businesses during the year ended 31 December 2022 is as follows:

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2022	19.565.322	29.475	4.728.958	59.666	24.383.421
New assets originated or purchased	2.476.889	–	–	–	2.476.889
Assets repaid	(11.570.180)	(7.125)	(531.854)	(50.859)	(12.160.018)
Transfers to Stage 1	804.665	(116.962)	(687.703)	–	–
Transfers to Stage 2	(127.257)	127.257	–	–	–
Transfers to Stage 3	(6.189)	(29.316)	35.505	–	–
Change in interest accrued	(69.296)	(1.407)	175.502	(8.717)	96.082
Unwinding of discount	–	–	184.184	–	184.184
Recoveries	–	–	122.606	–	122.606
Amounts written off	–	–	(1.783.496)	(90)	(1.783.586)
Foreign exchange differences	–	–	12	–	12
As at 31 December 2022	11.073.954	1.922	2.243.714	–	13.319.590

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	(13.033)	(5.214)	(3.026.023)	(90)	(3.044.360)
New assets originated or purchased	(5.568)	–	–	–	(5.568)
Assets repaid	20.439	–	161.277	–	181.716
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	385	8 201	(8 586)	–	–
Change in interest accrued	(3.322)	(2.987)	(200.283)	–	(206.592)
Unwinding of discount	–	–	(184.184)	–	(184.184)
Recoveries	–	–	(122.606)	–	(122.606)
Amounts written off	–	–	1.783.496	90	1.783.586
Foreign exchange differences	–	–	(116)	–	(116)
As at 31 December 2022	(1.099)	–	(1.597.025)	–	(1.598.124)

(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to consumer and other lending during the year ended 31 December 2022 is as follows:

Consumer and other lending	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	62.322.111	382.283	6.211.351	68.915.745
New assets originated or purchased	25.837.620	–	–	25.837.620
Assets repaid	(29.495.243)	(179.916)	(1.870.466)	(31.545.625)
Transfers to Stage 1	1.117.921	(1.048.429)	(69.492)	–
Transfers to Stage 2	(7.491.798)	7.592.259	(100.461)	–
Transfers to Stage 3	(85.541)	(5.645.322)	5.730.863	–
Change in interest accrued	211.957	144.506	582.528	938.991
Unwinding of discount	–	–	528.377	528.377
Recoveries	–	–	27.682	27.682
Amounts written off	–	–	(2.615.421)	(2.615.421)
Foreign exchange differences	–	–	2	2
As at 31 December 2022	52.417.027	1.245.381	8.424.963	62.087.371

Consumer and other lending	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2022	(1.832.986)	(110.856)	(3.774.761)	(5.718.603)
New assets originated or purchased	(1.118.609)	–	–	(1.118.609)
Assets repaid	1.479.311	132.202	885.925	2.497.438
Transfers to Stage 1	(360.847)	354.853	5.994	–
Transfers to Stage 2	2.419.214	(2.435.816)	16.602	–
Transfers to Stage 3	101.535	3.160.252	(3.261.787)	–
Change in interest accrued	(3.023.245)	(1.498.316)	(1.075.415)	(5.596.976)
Unwinding of discount	–	–	(528.377)	(528.377)
Recoveries	–	–	(27.682)	(27.682)
Amounts written off	–	–	2.615.421	2.615.421
Foreign exchange differences	–	–	(1)	(1)
As at 31 December 2022	(2.335.627)	(397.681)	(5.144.081)	(7.877.389)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to mortgage lending during the year ended 31 December 2022 is as follows:

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	2.319.979	15.614	311.126	2.646.719
New assets originated or purchased	(524.464)	(1.181)	(41.500)	(567.145)
Assets repaid	71.072	(49.411)	(21.661)	–
Transfers to Stage 1	(75.068)	75.068	–	–
Transfers to Stage 2	(224)	(39.482)	39.706	–
Transfers to Stage 3	(4.666)	(608)	(13.450)	(18.724)
Change in interest accrued	–	–	6.800	6.800
Unwinding of discount	–	–	150	150
Recoveries	–	–	(40.650)	(40.650)
As at 31 December 2022	1.786.629	–	240.521	2.027.150

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2022	(150)	–	(106.033)	(106.183)
Assets repaid	125	–	7.994	8.119
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages and changes to inputs	–	–	(10.334)	(10.334)
Unwinding of discount	–	–	(6.800)	(6.800)
Recoveries	–	–	(150)	(150)
Amounts written off	–	–	40.650	40.650
As at 31 December 2022	(25)	–	(74.673)	(74.698)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to corporate lending for the year ended 31 December 2021 is as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	89.404.550	1.706.420	7.874.287	295.946	99.281.203
New assets originated or purchased	133.814.523	–	–	74.185	133.888.708
Assets repaid	(117.217.875)	(1.709.990)	(1.097.157)	(131.202)	(120.156.224)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Change in interest accrued	582.699	3.570	(256.245)	37.805	367.829
Change in classification of borrowers	120.540	–	–	–	120.540
Unwinding of discount	–	–	298.979	–	298.979
Recoveries	–	–	49.943	–	49.943
Amounts written off	–	–	–	(62.221)	(62.221)
Foreign exchange differences	1.109.528	–	18.514	–	1.128.042
As at 31 December 2021	107.813.965	–	6.888.321	214.513	114.916.799

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ELC allowance as at 1 January 2021	(399.053)	–	(4.191.979)	(91.187)	(4.682.219)
New assets originated or purchased	(325.043)	–	–	–	(325.043)
Assets repaid	333.144	–	214.348	14.880	562.372
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Change in interest accrued	111.155	–	(550.972)	(11.502)	(451.319)
Change in classification of borrowers	–	–	–	–	–
Unwinding of discount	–	–	(298.979)	–	(298.979)
Recoveries	–	–	(49.943)	–	(49.943)
Amounts written off	–	–	–	62.221	62.221
Foreign exchange differences	(8.215)	–	(17.206)	–	(25.421)
As at 31 December 2021	(288.012)	–	(4.894.731)	(25.588)	(5.208.331)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to lending to small businesses during the year ended 31 December 2021 is as follows:

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2021	15.847.167	335.260	3.794.396	82.969	20.059.792
New assets originated or purchased	22.525.386	–	–	–	22.525.386
Assets repaid	(17.279.202)	(138.786)	(1.230.245)	(24.048)	(18.672.281)
Transfers to Stage 1	603.129	(296.821)	(306.308)	–	–
Transfers to Stage 2	(928.888)	989.844	(60.956)	–	–
Transfers to Stage 3	(1.097.277)	(863.614)	1.960.891	–	–
Change in interest accrued	15.547	3.592	203.284	655	223.078
Change in classification of borrowers	(120.540)	–	–	–	(120.540)
Unwinding of discount	–	–	321.183	90	321.273
Recoveries	–	–	46.892	–	46.892
Amounts written off	–	–	(662)	–	(662)
Foreign exchange differences	–	–	383	–	383
As at 31 December 2021	19.565.322	29.475	4.728.858	59.666	24.383.321

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ELC allowance as at 1 January 2021	(31.971)	(345)	(2.719.902)	–	(2.752.218)
New assets originated or purchased	(102.844)	–	–	–	(102.844)
Assets repaid	95.105	1.532	435.315	–	531.952
Transfers to Stage 1	(1.567)	1.567	–	–	–
Transfers to Stage 2	4.045	(4.045)	–	–	–
Transfers to Stage 3	1.308	–	(1.308)	–	–
Change in interest accrued	22.891	(3.923)	(373.010)	–	(354.042)
Change in classification of borrowers	–	–	–	–	–
Unwinding of discount	–	–	(321.183)	(90)	(321.273)
Recoveries	–	–	(46.892)	–	(46.892)
Amounts written off	–	–	662	–	662
Foreign exchange differences	–	–	295	–	295
As at 31 December 2021	(13.033)	(5.214)	(3.026.023)	(90)	(3.044.360)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to consumer and other lending during the year ended 31 December 2021 is as follows:

Consumer and other lending	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	45.927.287	518.666	6.973.704	53.419.657
New assets originated or purchased	42.446.993	–	–	42.446.993
Assets repaid	(24.316.095)	(154.628)	(2.085.421)	(26.556.144)
Transfers to Stage 1	1.091.875	(687.998)	(403.877)	–
Transfers to Stage 2	(2.948.311)	3.019.403	(71.092)	–
Transfers to Stage 3	(113.262)	(2.340.977)	2.454.239	–
Change in interest accrued	233.624	27.817	343.286	604.727
Unwinding of discount	–	–	750.882	750.882
Recoveries	–	–	71.225	71.225
Amounts written off	–	–	(1.821.620)	(1.821.620)
Foreign exchange differences	–	–	25	25
As at 31 December 2021	62.322.111	382.283	6.211.351	68.915.745

(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

ECL allowance of loans to customer (continued)

Consumer and other lending	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ELC allowance as at 1 January 2021	(1.446.096)	(216.153)	(3.563.063)	(5.225.312)
New assets originated or purchased	(1.683.495)	–	–	(1.683.495)
Assets repaid	740.402	54.640	1.096.426	1.891.468
Transfers to Stage 1	(345.106)	229.869	115.237	–
Transfers to Stage 2	503.021	(532.543)	29.522	–
Transfers to Stage 3	3.630	825.579	(829.209)	–
Impact on ECL of exposures transferred between stages and changes to inputs	394.658	(472.248)	(1.623.187)	(1.700.777)
Unwinding of discount (recognised in interest income)	–	–	(750.882)	(750.882)
Recoveries	–	–	(71.225)	(71.225)
Amounts written off	–	–	1.821.620	1.821.620
Foreign exchange differences	–	–	–	–
As at 31 December 2021	(1.832.986)	(110.856)	(3.774.761)	(5.718.603)

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to mortgage lending during the year ended 31 December 2021 is as follows:

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	3.659.760	38.388	469.612	4.167.760
Assets repaid	(1.304.318)	(1.682)	(124.073)	(1.430.073)
Transfers to Stage 1	123.547	(69.913)	(53.634)	–
Transfers to Stage 2	(98.243)	111.801	(13.558)	–
Transfers to Stage 3	(20.284)	(63.763)	84.047	–
Change in interest accrued	(40.483)	783	(9.148)	(48.848)
Unwinding of discount	–	–	11.240	11.240
Recoveries	–	–	328	328
Amounts written off	–	–	(53.688)	(53.688)
As at 31 December 2021	2.319.979	15.614	311.126	2.646.719

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ELC allowance as at 1 January 2021	(3.459)	–	(169.647)	(173.106)
Assets repaid	4.596	38	51.449	56.083
Transfers to Stage 1	(2.130)	–	2.130	–
Transfers to Stage 2	117	(117)	–	–
Transfers to Stage 3	–	525	(525)	–
Impact on ECL of exposures transferred between stages and changes to inputs	726	(446)	(31.560)	(31.280)
Unwinding of discount	–	–	(11.240)	(11.240)
Recoveries	–	–	(328)	(328)
Amounts written off	–	–	53.688	53.688
As at 31 December 2021	(150)	–	(106.033)	(106.183)

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(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

Modified and renegotiated loans

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss to the extent that an impairment loss has not already been recorded.

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, production equipment, inventory and trade receivables;
- For retail lending, mortgages over residential properties, charges over transport, cash and cash equivalents and guarantees of third parties.

The Bank also receives guarantees of the parents on loans issued to subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2022 and 2021 would have been higher by:

	2022	*2021*
Corporate lending	**877.712**	431.554
Small business lending	**581.147**	1.679.318
Consumer and other lending	**665.839**	840.474
Residential mortgages	**156.248**	198.931
	2.280.946	3.150.277

During the year, the Bank took possession of different assets in exchange of indebtness of respective borrowers. The Bank is in the process of selling of those assets. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The carrying value of the assets repossessed during the period and held as at 31 December is as follows:

	2022	*2021*
Buildings and land *(Note 14)*	**321.950**	149.142
Total repossessed collateral	**321.950**	149.142

(In thousands of tenge, unless otherwise indicated)

10. Loans to customers (continued)

Concentration of loans to customers

As at 31 December 2022, the Bank had a concentration of loans represented by KZT 27.094.032 thousand issued by the Bank to ten largest independent parties or 25.31% of gross loan portfolio (as at 31 December 2021: KZT 74.284.441thousand or 35.2%). As at 31 December 2022, ECL allowance of KZT 3.659.472 thousand was formed against these loans (as at 31 December 2021: KZT 251.213 thousand).

As of December 31, loans were issued to the following types of customers:

	2022	*2021*
Private companies	**42.941.322**	139.300.120
Individuals	**64.114.521**	71.562.464
	107.055.843	210.862.584

Loans were mainly extended to the customers in Kazakhstan performing their activities in the following economic sectors:

	2022	*2021*
Individuals	**64.114.521**	71.562.464
Mining industry	**7.272.004**	17.093.272
Transportation	**5.756.069**	9.898.088
Energy	**5.145.127**	5.537.240
Communications	**5.033.523**	7.119.753
Food industry	**3.254.727**	7.208.705
Retail	**3.050.591**	12.876.064
Housing Construction	**2.707.706**	4.522.803
Real Estate	**2.057.168**	3.548.719
Health	**1.994.793**	2.347.297
Wholesale Trade	**1.601.812**	23.624.413
Education	**851.936**	785.110
Production of building materials	**830.965**	2.472.327
Recreation	**537.994**	223.456
Light Industry	**525.571**	2.787.654
Manufacture of machines and equipment	**473.115**	1.309.338
Agriculture	**240.411**	2.507.938
Financial Services	**71.419**	29.139.696
Oil and Gas Industry	**39.587**	42.130
Other	**1.496.804**	6.256.117
	107.055.843	210.862.584

(In thousands of tenge, unless otherwise indicated)

11. Property and equipment and right-of-use assets

Movements in property and equipment and right-of-use assets are as follows:

	Leasehold improvement	*Buildings*	*Computer equipment*	*Vehicles*	*Assets to be installed*	*Other asset*	*Right-of-use asset*	*Total*
Cost								
At 1 January 2021	910.047	–	2.793.993	79.345	475.041	2.640.738	2.402.266	9.301.430
Additions	1.456	527.731	30.257	–	702.064	43.534	122.066	1.427.108
Disposals	(83.614)	–	(30.828)	–	–	(167.334)	(291.352)	(573.128)
Transfers	11.917	–	320.505	–	(732.536)	400.114	–	–
At 31 December 2021	839.806	527.731	3.113.927	79.345	444.569	2.917.052	2.232.980	10.155.410
Additions	**1.886**	**–**	**22.276**	**–**	**693.922**	**41.014**	**723.682**	**1.482.780**
Disposals	**(136.548)**	**–**	**(291.436)**	**–**	**–**	**(181.345)**	**(263.722)**	**(873.051)**
Transfers	**1.693**	**–**	**104.948**	**–**	**(680.586)**	**573.945**	**–**	**–**
At 31 December 2022	**706.837**	**527.731**	**2.949.715**	**79.345**	**457.905**	**3.350.666**	**2.692.940**	**10.765.139**
Accumulated depreciation								
At 1 January 2021	(439.830)	–	(1.488.828)	(41.702)	–	(1.513.930)	(810.734)	(4.295.024)
Depreciation charge	(87.090)	–	(129 653)	(4.928)	–	(173.407)	(324.339)	(719.417)
Disposals	83.616	–	30.828	–	–	110.269	149.616	374.329
At 31 December 2021	(443.304)	–	(1.587.653)	(46.630)	–	(1.577.068)	(985.457)	(4.640.112)
Depreciation charge	**(75.781)**	**(10.555)**	**(199.611)**	**(4.929)**	**–**	**(246.761)**	**(308.868)**	**(846.505)**
Disposals	**136.548**	**–**	**291.437**	**–**	**–**	**159.208**	**146.805**	**733.998**
At 31 December 2022	**(382.537)**	**(10.555)**	**(1.495.827)**	**(51.559)**	**–**	**(1.664.621)**	**(1.147.520)**	**(4.752.619)**
Net book value								
At 1 January 2021	470.217	–	1.305.165	37.643	475.041	1.126.808	1.591.532	5.006.406
At 31 December 2021	396.502	527.731	1.526.274	32.715	444.569	1.339.984	1.247.523	5.515.298
At 31 December 2022	**324.300**	**517.176**	**1.453.888**	**27.786**	**457.905**	**1.686.045**	**1.545.420**	**6.012.520**

As at 31 December 2022, the original cost of fully depreciated property and equipment in use of the Bank amounted to KZT 1.093.208thousand (as at31 December 2021: KZT 1.224.710 thousand).

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(In thousands of tenge, unless otherwise indicated)

12. Intangible assets

Movements in intangible assets are as follows:

	Licenses and software	*Assets to be installed and developed*	*Total*
Cost			
At 1 January 2021	4.782.591	1.246.632	6.029.223
Additions	295.674	223.844	519.518
Disposals	–	(14.671)	(14.671)
Transfers	609.448	(609.448)	–
At 31 December 2021	5.687.713	846.357	6.534.070
Additions	**766.771**	**336.770**	**1.103.541**
Disposals	**(262.986)**	**(315.072)**	**(578.058)**
At 31 December 2022	**6.191.498**	**868.055**	**7.059.553**
Accumulated depreciation			
At 1 January 2021	(1.657.104)	–	(1.657.104)
Depreciation charge	(328.641)	–	(328.641)
Disposals	–	–	–
At 31 December 2021	(1.985.745)	–	(1.985.745)
Depreciation charge	**(401.493)**	–	**(401.493)**
Disposals	**262.448**	–	**262.448**
At 31 December 2022	**(2.124.790)**	–	**(2.124.790)**
Net book value			
At 1 January 2021	3.125.487	1.246.632	4.372.119
At 31 December 2021	3.701.968	846.357	4.548.325
At 31 December 2022	**4.066.708**	**868.055**	**4.934.763**

In 2022, the Bank developed intangible assets as part of projects to develop remote channels and automate the Bank's internal business processes in order to improve the level of customer service and to increase future economic benefits.

As at 31 December 2022 and 2021, software includes internally developed assets in the amount of KZT 1.404.764 thousand and KZT 1,352,951 thousand, respectively.

As at 31 December 2022, assets to be installed and developed in the amount of Tenge 709,829 thousand (31 December 2021 amounted to Tenge 601,461 thousand) represent incurred expenses for development of financial technology software. The Bank's management believes that the development process met the criteria for recognition as an intangible asset.

(In thousands of tenge, unless otherwise indicated)

13. Taxation

The corporate income tax expense comprises the following:

	2022	*2021*
Current corporate income tax charge	–	1.725.954
Current corporate income tax charge for prior periods	(52.578)	71.408
Deferred corporate income tax charge - origination and reversal of temporary differences	(8.225.584)	159.737
Corporate income tax expense	(8.278.162)	1.957.099

The Republic of Kazakhstan is the only tax jurisdiction in which the Bank's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2022 and 2021.

The reconciliation between the corporate income tax expenses in the accompanying financial statements and profit before corporate income tax multiplied by the statutory tax rate for the years ended 31 December is as follows:

	2022	*2021*
Profit before corporate income tax expense	(41.894.001)	10.260.290
Statutory tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	(8.378.800)	2.052.058
Non-deductible impairment charge	**116.949**	6.316
Non-deductible operating expenses	**27.063**	11.584
Correction of prior period current tax	**(52.578)**	71.408
Non-deductible interest expense	–	76.837
Non-taxable income on state securities and securities officially listed at KASE	–	(434.773)
Correction of prior period deferred tax	–	106.492
Other differences	**9.204**	67.177
Corporate income tax expense	(8.278.162)	1.957.099

As at 31 December 2022, current corporate income tax liabilities are KZT 411.202 thousand. As at 31 December 2021, current corporate income tax assets are KZT 39.867 thousand.

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(In thousands of tenge, unless otherwise indicated)

13. Taxation (continued)

Deferred corporate income tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	2020	Origination and reversal of temporary differences within profit or loss	2021	Origination and reversal of temporary differences within profit or loss	2022
Tax effect of deductible temporary differences					
Tax losses carry-forward	–	–	–	**8.072.364**	**8.072.364**
Loans to customers	873.068	(75.245)	797.823	**(797.823)**	–
Accrued expenses on unused vacations	20.543	7.843	28.386	**(8.511)**	**19.875**
Accrued expenses on premiums	121.217	102.227	223.444	**(38.235)**	**185.209**
Lease liabilities	371.797	(67.451)	304.346	**(35.935)**	**268.411**
Other accrued expenses	59.913	44.426	104.339	**(12.147)**	**92.192**
Deferred corporate income tax assets	1.446.538	11.800	1.458.338	**7.179.713**	**8.638.051**
Tax effect of taxable temporary differences					
Amounts due to banks and other financial institutions	(1.054.748)	(13.976)	(1.068.724)	**1.068.724**	–
Right-of-use assets	(318.306)	68.801	(249.505)	**61.774**	**(187.731)**
Property and equipment	(389.221)	(226.362)	(615.583)	**(84.627)**	**(700.210)**
Deferred corporate income tax liabilities	(1.762.275)	(171.537)	(1.933.812)	**1.045.871**	**(887.941)**
Net deferred corporate income tax assets/(liabilities)	(315.737)	(159.737)	(475.474)	**8.225.584**	**7.750.110**

14. Other assets and liabilities

As at 31 December, other assets comprise the following:

	2022	2021
Other financial assets		
Banking settlements	**764.791**	158.734
Receivables from transferred assets	**438.148**	365.874
Accounts receivable on guarantees and letters of credits	**228.224**	174.186
Receivables on currency transactions	**1.792**	5.122
Other	**-**	25.374
	1.432.955	729.290
Less: ECL allowance	**(270.938)**	(206.255)
	1.162.017	523.035
Other non-financial assets		
Other prepayments and deferred expenses	**852.237**	615.133
Repossessed collateral	**321.950**	149.142
Advances paid for property and equipment and intangible assets	**267.163**	616.536
Rent prepayment	**240.355**	143.489
State duties payable	**143.491**	144.836
Inventory	**29.588**	34.199
Other	**33.140**	51.239
	1.887.924	1.754.574
Other assets	**3.049.941**	2.277.609

(In thousands of tenge, unless otherwise indicated)

14. Other assets and liabilities (continued)

As at 31 December 2022 and 2021 receivables from transferred assets comprise claims for payment for transferred repossessed collateral sold on deferred payment terms.

As at 31 December 2022, advances for property and equipment and intangible assets include advances for the purchase of equipment and software in the amount of KZT 135.238 thousand (as at 31 December 2021: KZT 292.466 thousand).

As at 31 December 2022 and 2021 the repossessed collateral comprises land and buildings obtained under collateral agreements on loans to customers. These assets are offered for sale by public auction.

An analysis of changes in ECL allowance in relation to other financial assets for 2022 and 2021 are as follow.

	Stage3
ECL as at 1 January 2021	(263.741)
Net change in ECL allowance for the year (Note 21)	23.642
Write-offs	33.839
Foreign exchange differences	5
at 31 December 2021	(206.255)
Net change in ECL allowance for the year (Note 21)	**(100.021)**
Write-offs	**35.919**
Foreign exchange differences	**(581)**
at 31 December 2022	**(270.938)**

As at 31 December other liabilities comprise the following:

	2022	*2021*
Financial liabilities		
Guarantee fees for forward contracts	**408.276**	114.560
ECL allowance on contingent liabilities (Note 22)	**254.906**	311.120
Accrued administrative expenses	**247.224**	294.328
Fee and commission expenses accrued	**78.431**	89.819
Professional services payable	**28.000**	39.312
Banking settlements	**–**	28.791
Insurance payables	**–**	1.512
	1.016.837	879.442
Non-financial liabilities		
Premiums accrued	**930.279**	1.133.948
Taxes other than corporate income tax payable	**244.255**	345.826
Deferred commission income	**132.568**	107.560
Accrued expenses for unused vacation	**99.373**	141.929
Liabilities to KDIF	**25.687**	236.346
Other	**75.353**	91.298
	1.507.515	2.056.907
	2.524.352	2.936.349

(In thousands of tenge, unless otherwise indicated)

15. Amounts due to banks and other financial institutions

As at 31 December, amounts due to banks and other financial institutions comprise the following:

	2022	*2021*
Current accounts	**15.715.939**	9.133.592
Term deposits and loans	**42.535.254**	23.993.829
	58.251.193	33.127.421

As of December 31, 2022, current accounts include the correspondent account of the Parent Company.

Term deposits and loans consist of interbank loan received from the Parent. As at 31 December 2022 the loan balance amounted to Tenge 42,527,007 thousand. The loan was attracted in Russian Rubles.

As at 31 December 2021 term deposits and loans include loans received from DAMU Entrepreneurship Development Fund JSC in the amount of Tenge 3,620,535 thousand under state programs of banking sector support for small and medium business, deposits received from SB Sberbank JSC in the amount of Tenge 4,318, 240 thousand Tenge, deposits received from Eurasian Bank JSC in the amount of Tenge 6,477,117 thousand, funds in Tenge attracted by the Bank from Development Bank of Kazakhstan JSC within participation in the state program on support of domestic automakers, and loans in Tenge received from Agrarian Credit Corporation JSC within the state program "Agrobusiness". As at 31 March 2022, the funds were fully repaid.

16. Amounts due to customers

As at 31 December, amounts due to customers comprise:

	2022	*2021*
Time deposits	**33.223.232**	282.210.387
Current accounts	**22.090.386**	108.970.636
	55.313.618	391.181.023
Term deposits held as security against guarantees and letters of credit (Note 22)	**511.884**	1.030.986

As at 31 December 2022, the Bank's ten largest customers accounted for KZT 25.883.850 thousand or 46,8% of total amounts due to customers (as at 31 December 2021: KZT 152.406.495 thousand or 39.0%).

Included in time deposits are deposits of individuals in the amount of KZT 15.907.286 thousand (as at 31 December 2021: KZT 73.174.413 thousand). In accordance with the Civil Code of Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

As at 31 December, amounts due to customers include accounts with the following types of customers:

	2022	*2021*
Private enterprises	**37.475.635**	309.211.809
Individuals	**17.837.983**	81.969.214
	55.313.618	391.181.023

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(In thousands of tenge, unless otherwise indicated)

16. Amounts due to customers (continued)

An analysis of customer accounts by economic sector follows:

	2022	*2021*
Individuals	**17.837.983**	81.969.214
Manufacture of construction materials	**10.037.007**	4.150.132
Retail trade	**5.698.520**	8.709.055
Metallurgy	**4.812.788**	125.358.314
Wholesale trade	**4.560.276**	25.634.847
Manufacture of machines and equipment	**3.661.888**	10.731.447
R&D	**2.264.035**	3.894.873
Financial Services	**1.433.409**	38.024.260
Transportation and communications	**1.218.141**	33.676.878
Food industry	**890.748**	5.010.383
Energy	**716.260**	14.658.906
Agriculture	**563.399**	1.398.827
Construction	**426.587**	8.444.629
Oil and gas production	**180.764**	10.596.974
Real Estate	**95.261**	2.794.498
Recreation	**28.176**	319.183
Mining	**20.450**	819.943
Light Industry	**15.145**	576.002
Education	**14.517**	683.715
Chemical	**1.016**	523.451
Other	**837.248**	13.205.492
	55.313.618	391.181.023

17. Debt securities issued

As at 31 December, debt securities issued comprise the following:

	2022	*2021*
Debt securities issued at KASE	**29.254.429**	29.245.157
Less unamortised discount	**(723.664)**	(1.253.983)
	28.530.765	27.991.174

As at 31 December 2022, the Bank's debt securities are represented by unsecured coupon bonds issued under the First Bond Program with the carrying amount of Tenge 28,530,765 thousand (31 December 2021: Tenge 27,991,174 thousand). These KZT denominated bonds have maturity dates in 2023-2024 (31 December 2021: 2023-2024) and nominal interest rate of 9% p.a. (2021: 9% p.a.).

In 2022 the Bank did not issue coupon bonds under the First Bond Program. In 2021 the Bank carried out three issues under the First Bond Program with total nominal value of KZT 28,553,010 thousand.

18. Lease liabilities

Set out below, are the carrying values of lease liabilities and movement during 2022 and 2021.

	2022	*2021*
As at 1 January	**1.521.731**	1.858.986
Interest accrued	**232.987**	175.418
Payments	**(412.664)**	(493.003)
Termination of lease agreements	**596.355**	(19.670)
As at 31 December	**1.938.409**	1.521.731

In 2022 the total cash outflow under the Bank's lease agreements was 412,664 thousand tenge (in 2021: 493,003 thousand tenge).

(In thousands of tenge, unless otherwise indicated)

19. Subordinated debt

As at 31 December 2022 the subordinated debt received from the Parent was repaid in full. The loan was received in 2018, in Russian rubles at the rate of 8.93%.

20. Share capital

As at 31 December 2022 and 2021 the authorized and issued ordinary shares of 7,375,700 and 2,995,700 were fully paid by the Parent at the placement price of KZT 10 thousand per ordinary share. In 2022, in accordance with decision of the sole shareholder dated 20 June 2022, the Bank approved an issue of 4,380,000 common shares.

In 2022 and 2021 the Bank did not declare or pay any dividends on common shares.

21. Credit loss expense

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss for the year ended 31 December 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(261.641)	–	–	–	(261.641)
Amounts due from financial institutions	8	(159.674)	–	–	–	(159.674)
Loans to customers	10	(2.479.107)	(1.369.101)	(871.804)	(321.658)	(5.041.670)
Other financial assets	14	–	–	(100.021)	–	(100.021)
Financial guarantees	22	6.389	48	226.936	–	233.373
Undrawn loan commitments	22	32.145	–	–	–	32.145
Letters of credit	22	95	–	–	–	95
Total credit loss expense		(2.861.791)	(1.369.053)	(744.891)	(321.658)	(5.297.393)

The table below shows the ECL charges on financial instruments recorded in profit or loss for the year ended 31 December 2021:

	Note.	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(1.152)	–	–	–	(1.152)
Amounts due from financial institutions	8	43.663	–	–	–	43.663
Loans to customers	10	(408.705)	(420.407)	(781.191)	3.378	(1.606.925)
Other financial assets	14	–	–	23.642	–	23.642
Financial guarantees	22	422.535	2.463	(1.050.782)	–	(625.784)
Undrawn loan commitments	22	(8.011)	–	–	–	(8.011)
Letters of credit	22	84	–	–	–	84
Total credit loss expense		48.414	(417.944)	(1.808.331)	3.378	(2.174.483)

(In thousands of tenge, unless otherwise indicated)

22. Commitments and contingencies

Operating environment

Starting from February 24, 2022 sanctions were imposed on VTB Bank (PAO) and the Bank in connection with the events in Ukraine, issued by the USA (OFAC), the UK (OFSI), the European Union and others. In particular, the Bank was included in the list of SDN (Specially Designated Nationals and Blocked Persons). These sanctions imposed restrictions on access to certain transactions, which had a significant negative impact on the Bank's activities.

Restrictions on settlements in foreign currencies (USD, EUR) and investing in financial instruments denominated in foreign currencies led to a significant change in the currency structure of settlements and open currency position in 2022. Under conditions of significant volatility of foreign currency exchange rates and limited cross-border financial flows, such forced changes had a significant negative impact on the Bank's financial results in 2022.

The circumstances described above require the Bank to adapt to a changing operating environment characterized by high levels of uncertainty, which has a significant impact on the Bank and its operations.

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management of the Bank is monitoring current developments and making an analysis of the potential further impact of changing micro and macroeconomic conditions on the Bank's financial position and results of operations and is taking necessary steps to support its liquidity position for the foreseeable future. However, the effects of past events and related future developments may have a material impact on the Bank's operations.

Taxation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Differences in the interpretation of Kazakhstan laws and regulations of the Bank and Kazakh authorities may lead to the accrual of additional taxes, fines and penalties.

Kazakhstan legislation and tax practices are continually evolving and therefore subject to varying interpretations and frequent changes that may be retroactive. In certain cases, in order to determine the tax base, tax legislation refers to the provisions of IFRS, whereas the interpretation of the respective provisions of IFRS by Kazakh tax authorities may differ from accounting policies, judgments and estimates applied by the management in preparation of these separate financial statements, which may result in additional tax liabilities of the Bank. Since 1 January 2020, the adequacy of tax assessment in the reporting period may be reviewed during the next three calendar years. However, under certain circumstances, a tax year may remain open for a longer period of time.

The Bank's management believes that its interpretations of the relevant legislation are appropriate and the Bank's tax position will be sustained.

Legal issues

In the ordinary course of business the Bank is subject to legal actions and complaints. The Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of operations of the Bank.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the above described contingent liabilities.

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(In thousands of tenge, unless otherwise indicated)

22. Commitments and contingencies (continued)

Commitments and contingencies

Commitments and contingencies of the Bank as at 31 December comprise:

	2022	*2021*
Credit related commitments		
Undrawn loan commitments	1.174.815	19.409.665
Financial guarantees	2.240.362	5.928.698
Letters of credit	–	63.191
	3.415.177	25.401.554
Less: ECL allowance	(254.906)	(311.120)
Commitments and contingencies (before deducting collateral)	3.160.271	25.090.434
Less funds held as security against guarantees and letters of credit (Note 16)	(511.884)	(1.030.986)
Commitments and contingencies	2.648.387	24.059.448

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise.

Below is an analysis of changes in ECL allowance for the year ended 31 December 2022:

Financial guarantees	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	(11.285)	(48)	(265.586)	–	(276.919)
New financial guarantees	(7.812)	–	–	–	(7.812)
Expired financial guarantees	20.248	48	10.759	–	31.055
Transfers to Stage 3	4.862	–	(4.862)	–	–
Changes to models and inputs used for ECL calculations	(6.047)	–	6.811	209.366	210.130
Restoration of a claim under a previously written-off guarantee	–	–	–	(209.366)	(209.366)
Foreign exchange differences	34	–	44	–	78
at 31 December 2022	–	–	(252.834)	–	(252.834)

Undrawn loan commitments	*Stage 1*	*Total*
ECL allowance as at 1 January 2022	(34.032)	(34.032)
New liabilities	(12.249)	(12.249)
Expired liabilities	57.190	57.190
Changes to models and inputs used for ECL calculations	(12.796)	(12.796)
Foreign exchange differences	(185)	(185)
at 31 December 2022	(2.072)	(2.072)

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(In thousands of tenge, unless otherwise indicated)

22. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Letters of credit	*Stage 1*	*Total*
ECL allowance as at 1 January 2022	**(169)**	**(169)**
Expired liabilities	95	95
Foreign exchange differences	74	74
at 31 December 2022	**–**	**–**

Ниже представлен анализ изменений оценочных резервов под ОКУ за год, закончившийся 31 декабря 2021 года:

Financial guarantees	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2021	(59.513)	–	(845.759)	(905.272)
New financial guarantees	(54.988)	–	–	(54.988)
Expired financial guarantees	105.073	673	27.314	133.060
Transfers to Stage 1	(377.165)	–	377.165	–
Transfers to Stage 2	2.511	(2.511)	–	–
Amounts paid	–	–	1.253.790	1.253.790
Changes to models and inputs used for ECL calculations	372.450	1.790	(1.078.096)	(703.856)
Foreign exchange differences	347	–	–	347
at 31 December 2021	(11.285)	(48)	(265.586)	(276.919)

Undrawn loan commitments	*Stage 1*	*Total*
ECL allowance as at 1 January 2021	(25.828)	(25.828)
New liabilities	(110.607)	(110.607)
Expired liabilities	17.561	17.561
Changes to models and inputs used for ECL calculations	85.035	85.035
Foreign exchange differences	(193)	(193)
at 31 December 2021	(34.032)	(34.032)

Letters of credit	*Stage 1*	*Total*
ECL allowance as at 1 January 2021	–	–
New letters of credit	(10.325)	(10.325)
Expired liabilities	10.325	10.325
Changes to models and inputs used for ECL calculations	84	84
Foreign exchange differences	(253)	(253)
at 31 December 2021	(169)	(169)

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(In thousands of tenge, unless otherwise indicated)

23. Net fee and commission income

Net fee and commission income comprise:

	2022	*2021*
Agent services	**1.690.089**	1.574.957
Payment cards service	**1.581.248**	181.731
Transfer operations	**1.074.926**	3.226.175
Cash operations	**723.478**	451.943
Operations with foreign currency	**131.001**	165.519
Settlement operations	**65.728**	94.681
Guarantees issued	**59.691**	165.295
Remote banking services	**54.785**	83.052
Issued letters of credit	**2.025**	13.350
Other	**57.967**	36.188
Fee and commission income	**5.440.938**	5.992.891
Agent services	**(254.365)**	(52.454)
Settlement operations and servicing of payment cards	**(185.780)**	(883.121)
Translation operations	**(85.590)**	(160.174)
Custodial services	**(37.527)**	(18.512)
Other	**(809)**	(4.419)
Fee and commission expense	**(564.071)**	(1.118.680)
Net fee and commission income	**4.876.867**	4.874.211

The Bank's revenue from contracts with customers is mostly represented by fee and commission income.

The Bank recognised the following contract assets and liabilities the statement of financial position related to its contracts with customers:

	2022	*2021*
Accrued income receivable (presented within other assets)	**228.224**	174.186
Deferred income (presented within other liabilities)	**132.568**	107.560

The Bank usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions). For services provided over time (such as those related to credit cards maintenance), the Bank usually charges upfront monthly, quarterly or annual fees covering respective portion of the overall contract period.

The Bank applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

24. Net (losses)/income from transactions in foreign currencies

Чистые (убытки)/доходы по операциям в иностранной валюте включает:

	2022	*2021*
Trading operations	**4.147.837**	(1.294.393)
Revaluation of foreign currency items*	**(40.841.134)**	(795.585)
Total net loss on foreign exchange operations	**(36.693.297)**	(2.089.978)

* Expenses on revaluation of currency items are associated with a significant increase in volatility in the stock and currency markets, as well as a significant decline in the exchange rate of tenge against the ruble in 2022.

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(In thousands of tenge, unless otherwise indicated)

25. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	*2021*
Salaries and bonuses	**(6.459.420)**	(7.176.277)
Social security costs	**(690.922)**	(635.927)
Personnel expenses	**(7.150.342)**	(7.812.204)
Rent	**(371.867)**	(300.810)
Information Services	**(328.573)**	(448.955)
Communication Services	**(274.877)**	(305.874)
Licenses	**(199.598)**	(403.178)
Security	**(184.544)**	(291.590)
Legal and consulting services	**(153.551)**	(123.495)
Marketing and advertising	**(132.145)**	(226.062)
Contributions to KDIF	**(128.127)**	(478.939)
Travel expenses	**(99.112)**	(121.565)
Collection	**(69.875)**	(61.474)
Transport	**(65.642)**	(82.438)
Repairs and maintenance of fixed assets	**(64.446)**	(74.275)
Office supplies	**(53.901)**	(75.209)
Membership fees	**(21.318)**	(14.915)
Presentation expenses	**(18.635)**	(32.882)
Insurance expenses	**(14.695)**	(6.936)
Translation Expenses	**(4.502)**	(10.874)
Other	**(143.444)**	(266.874)
Other operating expenses	**(2.328.852)**	(3.326.345)

For the year ended 31 December 2022 the Bank recognized the following lease expenses: short-term lease - KZT 3,474 thousand, rent of low value assets - KZT 330 thousand (in 2021: short-term lease expenses - KZT 78,240 thousand, rent of low value assets - KZT 1,116 thousand).

26. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to common shareholders by the weighted average number of participating shares outstanding during the period. The Bank does not have any share options or convertible debt or equity instruments.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022	*2021*
Net profit for the year attributable to the shareholder of the Bank	**(33.615.839)**	8.303.191
Weighted average number of common shares for basic and diluted earnings per share computation	**7.375.700**	2.995.700
Basic and diluted earnings per share (in tenge)	**(4.557,65)**	2.771,70

As of December 31, 2022 and 2021, the Bank had no dilutive financial instruments.

The carrying value per one ordinary share calculated in accordance with the methodology indicated in the Listing Rules of the KASE as at 31 December 2022 and 2021 is presented below:

	2022			*2021*		
Type of shares	*Number of outstanding shares*	*Net assets (thousands of tenge)*	*Book value per share (tenge)*	*Number of outstanding shares*	*Net assets (thousands of tenge)*	*Book value per share (tenge)*
Common	**7.375.700**	**39.990.145**	**5.421,9**	2.995.700	30.192.422	10.078,6

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(In thousands of tenge, unless otherwise indicated)

27. Risk management

Introduction

Risk is inherent in the Bank's activities. The Bank manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks. In managing risks the Bank applies approved group-wide standards and approaches.

Risk management structure

The Board of Directors is ultimately responsible for identifying risks, establishing permissible level and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risk.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk Controlling

The Risk Control Department is responsible for monitoring compliance with risk principles, policies and limits, across the Bank, for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. It monitors and controls quality of credit portfolio, coverage of credit risk by liquid collateral. The unit is responsible for implementation of the credit policies of the Bank and fulfilment of requirements of internal documents and state regulatory authorities. It takes part in making decisions on accepting different risks. The unit develops methods of quantitative estimation of risks attributable to the Bank, and provides recommendation to different departments of the Bank on minimisation and effective control over risks. It develops and implements methodology and analytical instruments, which allow evaluating risks, controlling level of risk and organising procedures to mitigate risks.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit group that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

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(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continued)

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. The above information is provided to the Board of Directors, Management Board of the Bank, Committees of the Bank and managers of units. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios, risk profile changes. On a monthly basis detailed reporting of industry, customer and geography risks takes place. The appropriateness of the allowance for credit losses is assessed on a monthly basis. The Board of Directors receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess the risks of the Bank.

Risk mitigation

As part of its overall risk management, the Bank uses financial instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions. The Bank actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties will fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

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27. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The carrying value of components of the statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, their carrying values represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is presented in Note 10 "Loans to customers" and Note 22 "Contractual commitments and contingencies".

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
The Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instrument.

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit risk (continued)

Impairment assessment (Continued)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans as described below:

Stage1:	When loans are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage3:	Loans considered credit-impaired. The Bank recognizes an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted effective interest rate, ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers funds with banks defaulted, and takes immediate corrective measures, if at the time of close of business required intraday payments specified in the individual agreements were not made.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Assignment of the status "Bad debts" to the borrower;
- More than 60 calendar days' overdue payments of principal and/or interest for individually assessed borrowers, and more than 90 for collectively assessed borrowers;
- Restructuring of a loan due to deterioration in the financial condition of the borrower;
- The borrower is deceased;
- Availability of the Bank's confirmed information on force majeure as well as other circumstances that caused substantial material damage to the borrower and do not allow the borrower to continue its business activities;
- The debtor or any legal entity within the debtor's group filing for bankruptcy application or declaring bankruptcy.

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(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit risk (continued)

Definition of default and cure (continued)

In accordance with the Bank's policy, financial instruments are considered "cured" and, therefore, are transferred from Stage 3 to Stage 2, subject to the following conditions:

- The borrower repays the debt that results in a decrease in the gross carrying value of the financial asset at the date of creation of provisions (reserves) to a level equal to or lower than the outstanding amount at the time the financial asset is allocated to Stage 3;
- There are no new default events inherent to the borrower in addition to the previously identified event, on the basis of which the borrower was assigned to Stage 3;
- Repayment by the borrower of at least 30% of the principal amount in accordance with the terms of the new agreement / new parameters of the agreement concluded as a result of the restructuring;
- The expiration of a 2-year period after default restructuring, subject to a positive assessment of the borrower's creditworthiness (including qualitative and quantitative factors characterizing the financial condition of the borrower) in accordance with the procedure established by the Bank.

Internal rating and PD estimation process

The Credit Risk Department of the Bank develops and applies its internal rating models on corporate clients. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriat.

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit risk (continued)

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, brokerdealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings, and assigns the internal rating, as shown in the table below.

Rating of external international rating agency (Standard and poor)	*The internal rating*	*Description of the internal rating*	*Probability of default, 12-month PD*
From AA+ to AAA			0,00
AA+			0,00
AA			0,01
AA-			0,02
A+			0,04
A			0,05
A-			0,07
BBB+			0,12
BBB			0,20
BBB-			0,24
BB+	A1	High	0,48
BB	A2		0,66
BB	A3		0,66
BB-	B1		1,18
BB-	B2	Standard grade	1,18
B+	B3		2,05
B+	C1		2,05
B	C2	Sub-standard	5,62
B	C3		5,62
B-	D1		8,50
CCC/C	D2	Default	24,59

Corporate and small business lending

For corporate lending, quality of loans is assessed by Credit Risk Department of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Macroeconomic information.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

27. Risk management (continued)

Credit risk (continued)

Consumer lending and residential mortgages

Retail business lending includes lending for purposes not related to commercial and entrepreneurial activities, including unsecured lending. Evaluation of these products is carried out using an automated system for processing credit applications, including the scoring of socio-demographic data about the client, data from the credit reporting agency and other sources of information about the client, allowing to assess its creditworthiness and solvency on the loan.

Exposure at default

The EAD represents the gross carrying value of the financial instruments subject to the impairment calculation. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 assets, the Bank assesses the probability of default over the life of the instrument.

Loss given default

LGD values are assessed on a monthly basis by the Bank's Risk Department. The credit risk assessment is based on a LGD assessment framework consisting of two indicators: "Recovery cash" and collateral. "Recovery cash" takes into account historical data on real cash repayments on loans that have defaulted since the default status was assigned. The cost of collateral is assessed taking into account a decrease by a fixed ratio (depending on the type of collateral) and then discounted for 2 years at the original effective rate. Certain levels of LGD are established as a result of applying these methods.

The Bank segments its retail lending products into homogeneous groups based on similar parameters. In particular, the Bank determines product groups by such parameters as: by type of collateral, by maturities, by the characteristics of the borrower and etc.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk. The Bank believes that the credit risk on a financial instrument has increased significantly since initial recognition and the financial asset is allocated to Stage 2 in the following cases:

- For commercial lending, late payments on a financial instrument increased by 30 to 90 days; assignment of a "potentially problematic transaction" characteristic to a financial instrument; decrease in client rating from the moment a financial asset is recognised by 3 or more positions (depending on the initially assigned rating at the time of recognition of a financial asset);
- For retail and small business loans, late payments on a financial instrument increased by 30 to 90 days.

Assessment of ECL allowances

Assessment of ECL allowances is carried out according to the following scenarios:

Commercial lendinge

For the entire portfolio, in the context of each financial asset, the following indicators are assessed: probability of default of the client (based on a rating determined and established for each client); LGD, which provides for an assessment of "Recovery cash" and the distributional value of collateral. The LGD is assessed individually for each financial asset.

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit risk (continued)

Assessment of ECL allowances (continued)

Small business lending, consumer lending and mortgage lending

Similar to a commercial lending portfolio, the following indicators are assessed for the entire portfolio of each financial asset: probability of default of the client (based on transition matrices (Markov Chains method); LGD, which provides for the assessment of Recovery cash and the distributional value of collateral. In connection with the individual assessment of LGD for each financial asset, calculation of allowance for a portfolio of small businesses, consumer lending and mortgage lending is also carried out individually in the context of each financial asset. Exceptions include "Cash loan" products, card products. Assessment of ECL allowance in the portfolio of these products is carried out on a collective basis. This is due to the lack of collateral, which excludes an individual assessment of LGD, in this regard, ECL allowance in these products is assessed on a collective basis.

Regardless of the portfolio, all financial assets that are assigned to Stage 3 have a default probability of 100%

ECL allowances for financial assets allocated to Stage 3 in the commercial lending portfolio and small business lending portfolio with a carrying value of more than 0.2% of the Bank's equity are assessed on an individual basis and based on multiple economic scenarios.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Price of Brent crude oil per barrel;
- Copper price growth rate (LME)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank obtains the forward-looking information from third party sources (external rating agencies, governmental bodies for example, central banks and international financial institutions).

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2023*	*2024*	*2025*
GDP growth, %					
	Upside	10	5.09	5.69	5.69
	Base case	70	3.20	3.80	3.80
	Downside	20	0.49	1.09	1.09
Copper price growth rate (LME)					
	Upside	10	1.15	1.37	1.24
	Base case	70	0.92	1.14	1.01
	Downside	20	0.68	0.9	0.77
Rate of price increase for Brent crude oil per barrel, US dollar					
	Upside	10	1.47	1.43	1.45
	Base case	70	0.96	0.93	0.94
	Downside	20	0.48	0.45	0.46

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit quality per class of financial assets

With the exception of small business loans, consumer and mortgage loans, the Bank manages the credit quality of financial assets using an internal rating system.

The table below shows the credit quality by class of asset for statement of financial position lines as at 31 December 2022, based on the Bank's credit rating system

	Note	*Stage*	*High grade*	*Standard grad*	*Sub-standard*	*Default*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	44.661.708	1.010.368	–	–	45.672.076
Amounts due from financial institutions	8	Stage 1	–	3.049.487	–	–	3.049.487
Loans to customers at amortised cost:							
- Corporate lending	10	Stage 1	10.468.388	8.325.605	593.966	–	19.387.959
		Stage 3	165.614	5.074.500	–	1.104.718	6.344.832
		POCI	–	–	–	79.587	79.587
Financial guarantees							
- Corporate lending	22	Stage 1	–	86.970	129.257	–	216.227
		Stage 3	1.094.834	–	–	19.566	1.114.400
Indrawn loan commitments							
- Corporate lending	22	Stage 1	–	648.207	127.047	–	775.254
			56.390.544	18.195.137	850.270	1.203.871	76.639.822

The table below shows the credit quality by class of asset for statement of financial position lines as at 31 December 2021, based on the Bank's credit rating system.

	Note	*Stage*	*High grade*	*Standard grad*	*Sub-standard*	*Default*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	253.232.903	–	–	–	253.232.903
Amounts due from financial institutions	8	Stage 1	668.741	5.977.294	–	–	6.646.035
Loans to customers at amortised cost:							
- Corporate lending	10	Stage 1	33.680.822	69.164.365	4.680.766	–	107.525.953
		Stage 3	–	–	–	1.993.590	1.993.590
		POCI	–	–	–	188.925	188.925
Financial guarantees							
- Corporate lending	22	Stage 1	555.706	2.854.445	657.529	–	4.067.680
		Stage 2	–	2.550	34.560	–	37.110
		Stage 3	–	–	–	283.737	283.737
Indrawn loan commitments							
- Corporate lending	22	Stage 1	975.595	11.538.816	3.355.190	–	15.869.601
- Letters of credit	22	Stage 1	–	63.191	–	–	63.191
			289.113.767	89.600.661	8.728.045	2.466.252	389.908.725

It is the Bank's policy to maintain accurate and consistent risk ratings across its corporate lending portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

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(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Credit risk (continued)

Geographic concentration

The following table shows the geographical concentration of the Bank's financial assets and liabilities as at 31 December:

	2022			
	Kazakhstan	*CIS and countries, non-members OECD*	*Countries OECD*	*Total*
Assets				
Cash and cash equivalents	72.974.576	1.010.368	–	73.984.944
Amounts due from financial institutions	3.048.890	597	–	3.049.487
Loans to customers	93.694.401	1.877	–	93.696.278
Other financial assets	805.152	315.016	41.849	1.162.017
	170.523.019	1.327.858	41.849	171.892.726
Liabilities				
Due to banks and other financial institutions	8.245	58.227.218	15.730	58.251.193
Derivative financial liabilities	1.406.000	–	–	1.406.000
Customer accounts	51.292.506	3.932.901	88.211	55.313.618
Debt securities issued	28.530.765	–	–	28.530.765
Lease liabilities	1.938.409	–	–	1.938.409
Other financial liabilities	1.015.021	–	1.816	1.016.837
	84.190.946	62.160.119	105.757	146.456.822
Net assets/(liabilities)	86.332.073	(60.832.261)	(63.908)	25.435.904

	2021			
	Kazakhstan	*CIS and countries, non-members OECD*	*Countries OECD*	*Total*
Assets				
Cash and cash equivalents	257.823.584	431.708	1.927.421	260.182.713
Trading securities	26.621.973	–	–	26.621.973
Due from financial institutions	5.990.371	518.749	136.915	6.646.035
Derivative financial assets	18.516	122.933	–	141.449
Loans to customers	196.755.270	29.837	–	196.785.107
Other financial assets	499.288	3.173	20.574	523.035
	487.709.002	1.106.400	2.084.910	490.900.312
Liabilities				
Due to banks and other financial institutions	31.843.168	1.268.525	15.728	33.127.421
Derivative financial liabilities	–	124	–	124
Customer accounts	373.596.786	14.750.798	2.833.439	391.181.023
Debt securities issued	27.991.174	–	–	27.991.174
Lease liabilities	1.521.731	–	–	1.521.731
Subordinated debt	–	8.663.252	–	8.663.252
Other financial liabilities	861.195	7.701	10.546	879.442
	435.814.054	24.690.400	2.859.713	463.364.167
Net assets/(liabilities)	51.894.948	(23.584.000)	(774.803)	27.536.145

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In order to limit this risk the management ensured availability of different funding sources in addition to the existing minimal amount of bank deposits. Management also controls assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

For the purpose of evaluation and decrease of risk of liquidity as well as to manage this risk, the Bank uses the following ways:

• Analysis of contractual maturities and forecasting cash flows (gap analysis), as well as analysis of deposit base concentration;

• Establishing limits for maturity gaps (gap limit) as well as establishing and regular updating of limits on the total volume of financing considering current and forecast levels of liquidity;

• Distribution and using of treasury securities portfolio to manage current liquidity;

• Development of emergency action plans (plans for emergency financing).

The Bank is also obliged to comply with liquidity requirements established by the regulators including requirements of the NBRK represented by obligatory norms.

The Banks monitors a number of internal liquidity indicators in a daily basis. The Bank's Treasury Department manages shortterm liquidity on an on-going basis using cash position and portfolio of highly marketable securities.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains cash (obligatory reserve) with the NBKR, the amount of which depends on the amount of liabilities of the Bank.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not require repayment on the earliest date at which the Bank will be required to make an appropriate payment and presents term deposits of physical persons by maturities based on this assumption in the table below:

	2022				
Financial liabilities	***Less than 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***Over 5 years***	***Total***
Amounts due to banks and other financial institutions	37.087.145	1.703.827	26.585.187	–	65.376.159
Amounts due to customers	26.214.834	25.268.566	5.099.256	–	56.582.656
Debt securities issued	140.323	10.355.105	20.561.392	–	31.056.820
Lease liabilities	110.652	339.629	1.665.818	353.494	2.469.593
Other financial liabilities	1.016.837	–	–	–	1.016.837
Total undiscounted financial liabilities	64.569.791	37.667.127	53.911.653	353.494	156.502.065

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Liquidity risk and funding management (continued)

	2021				
Financial liabilities	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Amounts due to banks and other financial institutions	20.992.300	3.502.385	9.042.952	14.005.985	47.543.622
Amounts due to customers	173.515.748	193.445.763	32.960.031	–	399.921.542
Debt securities issued	140.323	1.871.901	40.068.487	–	42.080.711
Lease liabilities	217.003	539.146	1.789.807	592.647	3.138.603
Subordinated debt	192.360	579.192	10.261.316	–	11.032.868
Other financial liabilities	879.442	–	–	–	879.442
Total undiscounted financial liabilities	195.937.176	199.938.387	94.122.593	14.598.632	504.596.788

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in "less than three months" in the tables above.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay the customer deposits upon demand of depositors.

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies: each undrawn commitment on lending is included in the time band containing the earliest date it can be drawn down. In the case of financial guarantee contracts the maximum amount of guarantee applies to the earliest period in which this guarantee may be called.

	2022				
	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Commitments and contingencies	**2.240.362**	**760.232**	**334.214**	**80.369**	**3.415.177**

	2021				
	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Commitments and contingencies	6.087.846	2.269.920	16.449.535	594.253	25.401.554

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges. The market risk for the trading and non-trading portfolio is managed and monitored based on sensitivity analysis. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Risk Committee established limits on foreign currency positions based on NBRK standards. Positions are monitored on a daily basis.

(In thousands of tenge, unless otherwise indicated)

27. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Bank had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on profit or loss. All other parameters are held constant. The negative amount in the table reflects a potential net reduction in profit or loss or equity, while a positive amount reflects a net potential increase.

	2022			
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
US Dollar	**15%**	**(281.578)**	**-15%**	**281.578**
Euro	**15%**	**(1.028.416)**	**-15%**	**1.028.416**
Russian ruble	**15%**	**(4.614)**	**-15%**	**4.614**
GBP	**15%**	**–**	**-15%**	**–**

	2021			
Currency	*Change in currency rate ins %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
US Dollar	13%	(1.493.539)	-10%	1.148.876
Euro	13%	7.525.443	-10%	(5.788.802)
Russian ruble	13%	1.474.487	-13%	(1.474.487)
GBP	13%	516	-10%	(397)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tool to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(In thousands of tenge, unless otherwise indicated)

28. Fair value of financial instruments

The Bank determines the policies and procedures for both recurring fair value measurement, such as unquoted available-forsale securities and for non-recurring measurement, such as assets held for sale.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documentse. The Bank also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Bank presents the valuation results to the audit committee and the Bank's independent auditors. This includes a discussion of the major assumptions used in the valuations.

The following table presents analysis of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources:

31 December 2022	*Date of valuation*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2022	–	73.984.944	–	73.984.944
Amounts due from financial institutions	31 December 2022	–	3.049.487	–	3.049.487
Loans to customers	31 December 2022	–	–	96.789.355	96.789.355
Other financial assets	31 December 2022	–	–	1.162.017	1.162.017
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2022	1.406.000	–	–	1.406.000
Liabilities for which fair value is disclosed					
Amounts due to banks and other financial institutions	31 December 2022	–	58.251.193	–	58.251.193
Amounts due to customers	31 December 2022	–	55.112.023	–	55.112.023
Debt securities issued	31 December 2022	–	26.394.794	–	26.394.794
Lease liabilities	31 December 2022	–	–	1.938.409	1.938.409
Other financial liabilities	31 December 2022	–	–	1.016.837	1.016.837

(In thousands of tenge, unless otherwise indicated)

28. Fair value of financial instruments (continued)

31 December 2021	*Date of valuation*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value					
Derivative financial assets	31 December 2021	141.449	–	–	141.449
Trading securities	31 December 2021	26.621.973	–	–	26.621.973
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2021	–	260.182.713	–	260.182.713
Amounts due from financial institutions	31 December 2021	–	6.646.035	–	6.646.035
Loans to customers	31 December 2021	–	–	203.787.330	203.787.330
Other financial assets	31 December 2021	–	–	729.290	729.290
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2021	124	–	–	124
Liabilities for which fair value is disclosed					
Amounts due to banks and other financial institutions	31 December 2021	–	34.851.731	–	34.851.731
Amounts due to customers	31 December 2021	–	391.008.301	–	391.008.301
Debt securities issued	31 December 2021	–	27.968.547	–	27.968.547
Lease liabilities	31 December 2021	–	–	1.521.731	1.521.731
Subordinated debt	31 December 2021	–	8.663.252	–	8.663.252
Other financial liabilities	31 December 2021	–	–	879.442	879.442

During the years 2022 and 2021, the Bank did not make transfers between the levels of the fair value hierarchy for financial instruments recorded at fair value.

(In thousands of tenge, unless otherwise indicated)

28. Fair value of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities as at 31 December.

	2022			*2021*		
	Carrying value	*Fair value*	*Unrecognized income/ (loss)*	*Carrying value*	*Fair value*	*Unrecognized income/ (loss)*
Financial assets						
Cash and cash equivalents	**73.984.944**	**73.984.944**	**–**	260.182.713	260.182.713	–
Amounts due from financial institutions	**3.049.487**	**3.049.487**	**–**	6.646.035	6.646.035	–
Loans to customers	**93.696.278**	**96.789.355**	**3.093.077**	196.785.107	203.787.330	7.002.223
Other financial assets	**1.162.017**	**1.162.017**	**–**	729.290	729.290	–
Financial liabilities						
Due to banks and other financial institutions	**58.251.193**	**58.251.193**	**–**	33.127.421	34.851.731	(1.724.310)
Amounts due to customers	**55.313.618**	**55.112.023**	**201.595**	391.181.023	391.008.301	172.722
Debt securities issued	**28.530.765**	**26.394.794**	**2.135.971**	27.991.174	27.968.547	22.627
Lease liabilities	**1.938.409**	**1.938.409**	**–**	1.521.731	1.521.731	–
Subordinated debt	**–**	**–**	**–**	8.663.252	8.663.252	–
Other financial liabilities	**1.016.837**	**1.016.837**	**–**	879.442	879.442	–
Total unrecognized change in unrealized fair value			**5.430.643**			5.473.262

The following describes the methodologies and assumptions used to determine fair values for those financial instruments that are not recorded at fair value in these financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying values approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. The models incorporate various non-observable assumptions, which include market rate volatilities.

(In thousands of tenge, unless otherwise indicated)

28. Fair value of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

Trading securities

Trading securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Financial assets and financial liabilities carried at amortised cost

Fair value of unquoted instruments, loans to customers, amounts due to customers, amounts due to banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fixed and variable rate financial instruments

In the event of quoted debt instruments, fair value is based on quoted market prices. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In determining the current interest rate, the Bank uses available information published on the official site of NBRK.

Significant non-observable source data and sensitivity of financial instruments of Level 3 measured at fair value to changes in key assumption

As at 31 December 2022 and 2021, the Bank had no financial instruments of Level 3 measured at fair value.

(In thousands of tenge, unless otherwise indicated)

29. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 27 "Risk management"* for the Bank's contractual undiscounted repayment obligations».

	2022			*2021*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	73.984.944	–	73.984.944	260.182.713	–	260.182.713
Trading securities	–	–	–	26.621.973	–	26.621.973
Due from financial institutions	3.049.487	–	3.049.487	6.646.035	–	6.646.035
Derivative financial assets	–	–	–	141.449	–	141.449
Loans to customers	7.396.561	86.299.717	93.696.278	27.297.322	169.487.785	196.785.107
Property, plant and equipment and right of use assets	–	6.012.520	6.012.520	–	5.515.298	5.515.298
Intangible assets	–	4.934.763	4.934.763	–	4.548.325	4.548.325
Current corporate income tax assets	411.202	–	411.202	–	–	–
Deferred corporate income tax assets	–	7.750.110	7.750.110	–	–	–
Other assets	1.767.441	1.282.500	3.049.941	1.183.939	1.093.670	2.277.609
Total	86.609.635	106.279.610	192.889.245	322.073.431	180.645.078	502.718.509
Funds from banks and other financial institutions	35.005.939	23.245.254	58.251.193	21.076.467	12.050.954	33.127.421
Government grants	–	–	–	–	2.041.347	2.041.347
Derivative financial liabilities	1.406.000	–	1.406.000	124	–	124
Customer accounts	49.978.479	5.335.139	55.313.618	360.094.502	31.086.521	391.181.023
Debt securities issued	10.017.722	18.513.043	28.530.765	1.446.393	26.544.781	27.991.174
Lease liabilities	5.537	1.932.872	1.938.409	338.459	1.183.272	1.521.731
Subordinated debt	–	–	–	23.252	8.640.000	8.663.252
Current corporate income tax liabilities	–	–	–	39.867	–	39.867
Deferred corporate income tax liabilities	–	–	–	–	475.474	475.474
Other liabilities	2.303.120	221.232	2.524.352	2.745.251	191.098	2.936.349
Total	98.716.797	49.247.540	147.964.337	385.764.315	82.213.447	467.977.762
Net position	(12.107.162)	57.032.070	44.924.908	(63.690.884)	98.431.631	34.740.747

The Bank's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

30. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities

The Russian Federation controls the Bank through the Federal Agency for the Administration of State Property of the Russian Federation.

The Russian Federation through its state agencies and other institutions directly and indirectly controls and has significant influence over a significant number of entities (together referred to as "entities associated with the state").

In the course of its daily activities, the Bank performs all transactions with related parties at prices established on the basis of market rates.

(In thousands of tenge, unless otherwise indicated)

30. Related party transactions (continued)

Transactions with government-related entities (continued)

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2022			
	Parent	*Entities under common control of the Parent*	*Government related entities*	*Key management personnel*
Cash and cash equivalents as at 1 January	431.477	253.018	–	–
Receipts on current accounts during the year	1.517.876.198	88.792.158	–	–
Payments from current accounts during the year	(1.517.305.449)	(88.793.817)	–	–
Cash and cash equivalents as at 31 December, before ECL allowance	1.002.226	251.359	–	–
	–	–	–	–
Less ECL allowance	(33)	(251.359)	–	–
Cash and cash equivalents as at 31 December, less ECL allowance	1.002.193	–	–	–
Loans to customers as at 1 January	–	–	–	25.792
Loans issued during the year	–	–	–	–
Loans repaid during the year	–	–	–	(25.792)
Loans to customers at 31 December	–	–	–	–
Less ECL allowance	–	–	–	–
Loans to customers at 31 December	–	–	–	–
Amounts due to banks and other financial institutions as at 1 January	1.268.298	15.954	4.318.240	–
Proceeds during the year	795.991.478	57.166.128	–	–
Payments during the year	(769.606.218)	(57.165.931)	(4.318.240)	–
Foreign exchange difference	30.573.189	–	–	–
Amounts due to banks and other financial institutions as at 31 December	58.226.747	16.151	–	–
Amounts due to customers at 1 January	–	–	–	12.856
Receipts on current accounts during the year	–	–	–	1.179.371
Payments from the current accounts during the year	–	–	–	(989.981)
Amounts due to customers at 31 December	–	–	–	202.246
Subordinated debt as at 1 January	8.663.252	–	–	–
Repayments made during the year	(11.535.000)	–	–	–
Accrual interest on subordinated debt	839.833	–	–	–
Payment of interest income on subordinated debt	(887.626)	–	–	–
Effect from changes in exchange rates	2.919.541	–	–	–
Subordinated debt as at 31 December	–	–	–	–

(In thousands of tenge, unless otherwise indicated)

30. Related party transactions (continued)

Transactions with government-related entities (continued)

	2021			
	Parent	*Entities under common control of the Parent*	*Government related entities*	*Key management personnel*
Cash and cash equivalents as at 1 January	236.243	292.191	–	–
Receipts on current accounts during the year	3.624.992.262	509.722.476	–	–
Payments from current accounts during the year	(3.624.797.028)	(509.761.649)	–	–
Cash and cash equivalents as at 31 December, before ECL allowance	431.477	253.018	–	–
	–	–	–	–
Less ECL allowance	(3)	–	–	–
Cash and cash equivalents as at 31 December, less ECL allowance	431.474	253.018	–	–
Loans to customers as at 1 January	–	–	–	–
Loans issued during the year	–	–	–	27.211
Loans repaid during the year	–	–	–	(1.419)
Loans to customers at 31 December	–	–	–	25.792
Less ECL allowance	–	–	–	(39)
Loans to customers at 31 December	–	–	–	25.753
Amounts due to banks and other financial institutions as at 1 January	511.552	5.931	–	–
Proceeds during the year	2.649.836.866	515.497.524	4.312.040	–
Payments during the year	(2.649.080.120)	(515.487.501)	–	–
Foreign exchange difference	–	–	6.200	–
Amounts due to banks and other financial institutions as at 31 December	1.268.298	15.954	4.318.240	–
Amounts due to customers at 1 January	–	–	–	4.962
Receipts on current accounts during the year	–	–	–	1.082.657
Payments from the current accounts during the year	–	–	–	(1.074.763)
Amounts due to customers at 31 December	–	–	–	12.856
Subordinated debt as at 1 January	8.450.568	–	–	–
Repayments made during the year	–	–	–	–
Accrual interest on subordinated debt	774.770	–	–	–
Payment of interest income on subordinated debt	(780.137)	–	–	–
Effect from changes in exchange rates	218.051	–	–	–
Subordinated debt as at 31 December	8.663.252	–	–	–

(In thousands of tenge, unless otherwise indicated)

30. Related party transactions (continued)

Transactions with government-related entities (continued)

	2022				2021			
	Parent	*Entities under common control of the Parent*	*Government related entities*	*Key management personnel*	*Parent*	*Entities under common control of the Parent*	*Government related entities*	*Key management personnel*
Cash and cash equivalents								
Interest revenue	58.346	–	–	–	9.678	–	–	–
Interest rates	0,5%	–	–	–	0,3-0,35%	–	–	–
Loans to customers								
Interest revenue	–	–	–	–	–	–	–	229
Interest rates	–	–	–	–	–	–	–	4.1-17.2%
Investment securities								
Interest revenue	–	–	–	–	–	–	–	–
Interest rates	–	–	–	–	–	–	–	–
Amounts due to banks and other financial institutions								
Interest expenses	(6.443.014)	(213)	(1.047)	(556)	–	–	(240)	(920)
Interest rates	9,5%	0,5%	1%	8-8,6%	–	–	1%	1-8.3-9%
Subordinated debt								
Interest expenses	(839.833)	–	–	–	(774.770)	–	–	–
Interest rates	8,93%	–	–	–	8,93%	–	–	–

Compensation to key management personnel totalling 10 persons (in 2021 – 6 persons) includes the following:

	2022	*2021*
Salaries and other short-term benefits	**479.799**	534.267
Social security costs	**45.142**	49.962
Total compensation to the key management personnel	**524.941**	584.229

31. Changes in liabilities arising from financing activities

	Debt securities issued	**Subordinated debt**
Carrying value as of January 1, 2021	15.156.798	8.450.568
Issue	27.359.689	–
Redemption	(15.022.677)	–
Foreing exchange differences	–	218.051
Other	497.364	(5.367)
Carrying value at 31 December 2021	27.991.174	8.663.252
Redemption	–	**(11.535.000)**
Foreing exchange differences	–	**2.919.541**
Other	**539.591**	**(47.793)**
Carrying value at 31 December 2022	**28.530.765**	–

The "Other" line also includes the effect of accrued but not yet paid interest on debt securities issued and subordinated debt. The Bank classifies interest paid as cash flows from operating activities.

(In thousands of tenge, unless otherwise indicated)

32. Capital adequacy

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

As at 31 December 2022 and 2021 the Bank had complied in full with all its externally imposed capital requirements

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

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

The NBRK sets and monitors capital requirements for the Bank.

Under the current capital requirements set by the NBRK banks have to maintain:

- A ratio of basic capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k1);
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2);
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k2).

The Bank's equity is calculated as the sum of tier 1 capital and tier 2 capital less positive differences calculated in accordance with requirements of the NBRK.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December:

	2022	*2021*
Tier 1 capital	**39.102.195**	28.994.233
Tier 2 capital	**–**	5.184.000
Equity	**39.102.195**	34.178.233
Risk-weighted statutory assets, contingent and possible liabilities, operational and market risk	**139.543.000**	234.949.530
Ratio k1 (min. 5,5%)	**28,0%**	12,3%
Ratio k1-2 (min. 6,5%)	**28,0%**	12,3%
Ratio k2 (min. 8,0%)	**28,0%**	14,5%

33. Events after the reporting period

Due to rising geopolitical tensions, there has been a significant increase in volatility in the stock and currency markets since February 2022. On February 24, 2023, the Monetary Policy Committee of the NBK decided to set the prime rate at 16.75% per annum with a band of +/- 1 percentage point.

Currently, the Bank's management is analyzing the possible further impact of changing micro- and macroeconomic conditions on the Bank's financial position and performance and is taking necessary measures to support liquidity in the foreseeable future.