JSC Halyk Bank

Consolidated Financial Statements
and Independent Auditors' Report
For the Year Ended 31 December 2023

JSC Halyk Bank

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Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statement for the Year ended 31 December 2023

Management of JSC Halyk Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Halyk Bank (the "Bank") and its subsidiaries (collectively – the "Group") as at 31 December 2023, the related consolidated statement of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of material accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the Management Board on 13 March 2024.

On behalf of the Management Board:

Umut B. Shayakhmetova **Chairperson of the Board**	**Pavel A. Cheussov** **Chief Accountant**
13 March 2024 Almaty, Kazakhstan	13 March 2024 Almaty, Kazakhstan

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

Opinion

We have audited the consolidated financial statements of JSC Halyk Bank and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 4b to the consolidated financial statements which describes the restatement of corresponding figures for the year ended 31 December 2022 and 1 January 2022. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Why the matter was determined to be a key audit matter	**How the matter was addressed in the audit**
Collective assessment of the expected credit losses on loans to customers	
As at 31 December 2023, the Group reported total gross loans of KZT 9,774,798 million, including KZT 3,824,856 million subject to collective impairment assessment, which comprise 39% of total gross loans. The expected credit losses ("ECL") resulting from this assessment amounted to KZT 235,464 million. Due to the significance and subjectivity of judgements used by management of the Group and the volume of loans assessed on a collective basis, we identified the collective assessment of expected credit losses as a key audit matter. In particular, we focused on the principal assumptions and significant inputs underlying the estimation of ECL and the integrity of the models used in calculations. Refer to Notes 4, 11 and 32 to the consolidated financial statements for the description of the Group's policy and disclosures of gross carrying amounts and related allowances balances.	We obtained an understanding of processes and control procedures related to the loan origination and ECL for collective assessment of loans to customers. We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors. With the involvement of our credit risk advisory specialists, we tested the integrity and mathematical accuracy of the ECL credit models used by re-performing selective calculations on relevant source data. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Individual assessment of the expected credit losses on loans to customers	
As at 31 December 2023, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 5,949,942 million, which accounts for 61% of total gross loans. The related ECL comprised KZT 254,462 million. The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group. The appropriate identification of significant increase in credit risk or credit impairment event require considerable judgment on the basis of quantitative and qualitative information, which results in focused audit procedures. Additionally, the measurement of ECL on individually significant credit-impaired loans is based on the estimation of future cash flows under different scenarios. Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter. Refer to Notes 4, 11 and 32 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.	We obtained an understanding of the loan origination. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers. For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events, external information and certain financial performance indicators had been identified on a timely manner. On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as estimated future cash flows and the fair value of collateral. We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Transition to IFRS 17	
On 1 January 2023, the Group implemented IFRS 17, Insurance Contracts. As part of IFRS 17 implementation, the Group developed and implemented new complex methodologies, models and assumptions required by new standard and remeasured insurance contract liabilities. As described in Note 3 and 4b, the Group applied Modified Retrospective approach and Fair Value approach for contracts issued before 1 January 2022. Due to complexity of methodology and models, we identified transition to IFRS 17 as a key audit matter. Refer to Notes 3, 16 and 29 to the consolidated financial statements for the description of the Group's accounting policy and disclosures of insurance contract liabilities.	We obtained an understanding of the controls over calculation of insurance contract liabilities performed in accordance with IFRS 17 requirements and Group's methodology. We have involved our actuary specialists for evaluation of methodology, models and assumptions in relation to IFRS 17, considered suitability of the transition approach applied and tested on a sample basis the accuracy of the underlying calculations. We evaluated whether actuarial methodology, models and assumptions used to calculate the fulfillment cash flows, risk adjustment, contractual service margin, and (if applicable) loss component are functioning as intended, in line with requirements of IFRS 17 and the financial reporting framework as of transition date.

Other Information – Annual Report

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

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Roman Sattarov
Engagement Partner
Qualified Auditor
Qualification certificate
MF-0000149
dated 31 May 2013

Daulet Kuatbekov
Acting General Director
Deloitte LLP

State license on auditing in the
Republic of Kazakhstan
No. 0000015,
type MFU-2, issued by the,
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

13 March 2024
Almaty, Republic of Kazakhstan

Halyk

JSC Halyk Bank

Consolidated Statement of Financial Position
as at 31 December 2023 and 2022
(millions of Kazakhstani Tenge)

	Notes	31 December 2023	31 December 2022 (restated)*	1 January 2022 (restated)*
ASSETS				
Cash and cash equivalents	5	1,377,315	2,028,831	1,438,521
Obligatory reserves	6	244,866	259,544	194,931
Financial assets at fair value through profit or loss	7	589,362	449,931	387,988
Amounts due from credit institutions	8	171,754	135,655	602,125
Financial assets at fair value through other comprehensive income	9	2,425,902	2,109,269	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	10	725,343	1,019,089	1,288,178
Loans to customers	11, 37	9,284,872	7,857,902	5,871,826
Investment property	12	47,326	35,541	28,007
Commercial property	13	74,882	76,538	92,412
Current income tax assets	21	7,956	1,521	1,942
Deferred tax assets	21	351	273	250
Property and equipment and intangible assets	14	226,170	207,788	183,849
Insurance contract assets	16	10,289	4,094	3,317
Reinsurance contract assets		22,776	22,809	25,423
Other assets	17	173,662	162,394	134,542
Total assets before assets classified as held for sale		15,382,826	14,371,179	12,124,988
Assets classified as held for sale	15	111,542	23,923	45,412
TOTAL ASSETS		**15,494,368**	**14,395,102**	**12,170,400**
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	18, 37	10,929,504	10,512,048	8,473,407
Amounts due to credit institutions	19	778,311	878,665	1,071,642
Financial liabilities at fair value through profit or loss	7	4,202	10,628	2,276
Debt securities issued	20, 37	653,393	462,817	499,812
Current income tax liability	21	946	12,358	11,539
Deferred tax liability	21	59,799	74,147	71,400
Provisions	24	11,695	13,773	13,193
Insurance contract liabilities	16	273,065	223,308	194,195
Reinsurance contract liabilities		5,321	1,711	3,535
Other liabilities	22	242,756	193,405	170,431
Total liabilities before liabilities directly attributable to assets held for sale		12,958,992	12,382,860	10,511,430
Liabilities directly attributable to assets held for sale	15	58,422	-	-
Total liabilities		**13,017,414**	**12,382,860**	**10,511,430**
EQUITY				
Share capital	23	209,027	209,027	209,027
Share premium reserve		8,667	7,966	9,067
Treasury shares	23	(258,514)	(260,535)	(259,322)
Retained earnings and other reserves		2,517,764	2,055,775	1,700,190
Total equity attributable to owners of the Group		2,476,944	2,012,233	1,658,962
Non-controlling interest		10	9	8
Total equity		**2,476,954**	**2,012,242**	**1,658,970**
TOTAL LIABILITIES AND EQUITY		**15,494,368**	**14,395,102**	**12,170,400**

* Comparative information has been restated in accordance with Note 4b

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Profit or Loss
for the years ended 31 December 2023 and 2022
(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Interest income calculated using the effective interest method	25, 37	1,627,018	1,220,643
Other interest income	25	42,764	27,005
Interest expense	25, 37	(859,285)	(578,182)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	25	810,497	669,466
Expected credit loss expense	5, 8, 10, 11	(90,665)	(106,929)
NET INTEREST INCOME		**719,832**	**562,537**
Fee and commission income	26	200,060	180,066
Fee and commission expense	26	(99,704)	(96,099)
Fees and commissions, net		**100,356**	**83,967**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	27	72,594	(525)
Net realised loss from financial assets at fair value through other comprehensive income		(4,055)	(1,275)
Net foreign exchange gain	28	90,114	177,893
Insurance revenue	29	239,189	194,876
Share in profit of associate	37	13,593	9,708
Income on non-banking activities	31	23,582	25,554
Other expense		(34,884)	(2,170)
OTHER NON-INTEREST INCOME		**400,133**	**404,061**
Operating expenses	30	(216,888)	(193,018)
Reversal of/(loss from) impairment of non-financial assets		483	(1,044)
Reversal of impairment loss of property, plant and equipment	24	-	5,103
Recovery of other credit loss expense	24	1,563	78
Loss on disposal of subsidiaries	2	-	(19,242)
Loss from impairment of assets held for sales	15	(3,781)	-
Insurance service expense	29	(131,847)	(115,968)
Net reinsurance expense	29	(55,077)	(51,278)
NON-INTEREST EXPENSES		**(405,547)**	**(375,369)**
PROFIT FOR THE YEAR BEFORE TAX		814,774	675,196
Income tax expense	21	(121,338)	(105,718)
NET INCOME		**693,436**	**569,478**
Attributable to:			
Non-controlling interest		1	1
Common shareholders		693,435	569,477
		693,436	**569,478**
EARNINGS PER SHARE (in Kazakhstani Tenge)			
Basic and diluted earnings per share	32	**63.65**	**52.29**

* Comparative information has been restated in accordance with Note 4b

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Other Comprehensive Income for the years ended 31 December 2023 and 2022
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Net income	**693,436**	**569,478**
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
(Loss)/gain resulting on revaluation of property and equipment (2023 and 2022 – net of tax – KZT null million and KZT 4,078 million, respectively)	(13)	17,693
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income	(202)	403
Items that may be subsequently reclassified to profit or loss:		
Gain/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (2023 and 2022 – net of tax – KZT nil)	48,308	(104,028)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (2023 and 2022 - net of tax – KZT nil)	4,055	1,274
Share of other comprehensive income/(loss) of associate on revaluation of debt financial assets at fair value through other comprehensive income	1,189	(1,477)
Share of other comprehensive income of associate on revaluation of property and equipment	24	23
Foreign exchange differences on translation of foreign operation	(8,283)	13,136
Less: gain reclassified to profit or loss on disposal of foreign operation	-	(6,976)
	(8,283)	6,160
Other comprehensive income/(loss) for the year	45,078	(79,952)
Total comprehensive income for the year	**738,514**	**489,526**
Attributable to:		
Non-controlling interest	1	1
Common shareholders	738,513	489,525
	738,514	**489,526**

* Comparative information has been restated in accordance with Note 4b

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Changes in Equity
for the years ended 31 December 2023 and 2022
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2022 (restated)**	**209,027**	**7,966**	**(260,535)**	**11,742**	**(78,649)**	**43,309**	**2,079,373**	**2,012,233**	**9**	**2,012,242**
Net income		-	-	-	-	-	693,435	693,435	1	693,436
Other comprehensive (loss)/income		- -	-	(8,283)	53,350	11 1	-	45,078	-	45,078
Total comprehensive (loss)/income		**-**	**-**	**(8,283)**	**53,350**	**11**	**693,435**	**738,513**	**1**	**738,514**
Treasury shares purchased (Note 23)	-	-	(1,509)	-	-	-	-	(1,509)	-	(1,509)
Treasury shares sold (Note 23)	-	701	3,530	-	-	-	-	4,231		4,231
Dividends – common shares (Note 23)	-	-	-	-	-	-	(276,524)	(276,524)	-	(276,524)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(2,195)	2,195	-	-	-
31 December 2023	**209,027**	**8,667**	**(258,514)**	**3,459**	**(25,299)**	**41,125**	**2,498,479**	**2,476,944**	**10**	**2,476,954**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.
** Comparative information has been restated in accordance with Note 4b

Consolidated Statement of Changes in Equity (continued)
for the years ended 31 December 2023 and 2022
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
1 January 2022	**209,027**	**9,067**	**(259,322)**	**5,582**	**25,115**	**27,521**	**1,556,606**	**1,573,596**	**8**	**1,573,604**
Effect on transition to IFRS 17 (Note 4b)	-	-	-	-	-	-	1,642	1,642	-	1,642
Effect of revaluation of financial assets measured at fair value through profit or loss (Note 4b)	-	-	-	-	-	-	83,724	83,724	-	83,724
1 January 2022 (as restated)	**209,027**	**9,067**	**(259,322)**	**5,582**	**25,115**	**27,521**	**1,641,972**	**1,658,962**	**8**	**1,658,970**
Net income	-	-	-	-	-	-	569,477	569,477	1	569,478
Other comprehensive income/(loss)	-	-	-	6,160	(103,828)	17,716	-	(79,952)	-	(79,952)
Total comprehensive income/(loss)	**-**	**-**	**-**	**6,160**	**(103,828)**	**17,716**	**569,477**	**489,525**	**1**	**489,526**
Treasury shares purchased (Note 23)	-	(1,101)	(6,044)	-	-	-	-	(7,145)	-	(7,145)
Treasury shares sold (Note 23)	-	-	4,831	-	-	-	-	4,831	-	4,831
Disposal of subsidiaries (Note 23)	-	-	-	-	64	(272)	4,609	4,401	-	4,401
Dividends – common shares (Note 23)	-	-	-	-	-	-	(138,341)	(138,341)	-	(138,341)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,656)	1,656	-	-	-
31 December 2022	**209,027**	**7,966**	**(260,535)**	**11,742**	**(78,649)**	**43,309**	**2,079,373**	**2,012,233**	**9**	**2,012,242**

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these consolidated financial statements.

JSC Halyk Bank

Consolidated Statement of Cash Flows
For the years ended 31 December 2023 and 2022
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	27,602	23,627
Interest received from cash and cash equivalents and amounts due from credit institutions	49,906	39,651
Interest received on financial assets at fair value through other comprehensive income	126,082	101,396
Interest received on debt securities at amortised cost, net of allowance for expected credit losses	76,747	100,212
Interest received from loans to customers	1,318,173	962,950
Interest paid on amounts due to customers	(713,167)	(463,821)
Interest paid on amounts due to credit institutions	(45,285)	(63,549)
Interest paid on debt securities issued	(32,542)	(38,247)
Fee and commission received	199,058	179,994
Fee and commission paid	(98,886)	(91,836)
Insurance revenue	266,536	155,760
Ceded reinsurance share paid	(55,638)	(4,020)
Receipts from financial derivatives	28,831	12,798
(Other expense paid)/other income received	(11,302)	23,388
Operating expenses paid	(192,094)	(178,481)
Insurance service expense	(162,425)	(70,003)
Cash flows from operating activities before changes in net operating assets	781,596	689,819
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	14,678	(64,613)
Financial assets at fair value through profit or loss	(81,550)	(55,480)
Amounts due from credit institutions	(41,711)	499,146
Loans to customers	(1,552,968)	(1,905,013)
Assets classified as held for sale	2,130	8,398
Insurance contract assets	(33,509)	(4,925)
Other assets	9,378	32,229
Increase/(decrease) in operating liabilities:		
Amounts due to customers	531,724	1,893,578
Amounts due to credit institutions	(87,520)	(267,386)
Financial liabilities at fair value through profit or loss	(6,426)	8,264
Insurance contract liabilities	84,506	(1,847)
Other liabilities	47,121	34,687
Net cash (outflow)/inflow from operating activities before income tax	**(332,551)**	**866,857**
Income tax paid	(153,512)	(101,754)
Net cash (outflow)/inflow from operating activities	**(486,063)**	**765,103**

JSC Halyk Bank

Consolidated Statement of Cash Flows (continued)
For the years ended 31 December 2023 and 2022
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of subsidiaries	2	-	(56,371)
Purchase and prepayments for property and equipment and intangible assets		(44,845)	(30,547)
Proceeds on sale of property and equipment and intangible assets		77	9,037
Proceeds on sale of investment property		3,396	3,672
Proceeds on sale of commercial property		8,978	22,286
Proceeds from sale of financial assets at fair value through other comprehensive income		653,043	368,482
Purchase of financial assets at fair value through other comprehensive income		(898,450)	(650,761)
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		289,170	287,399
Purchase of debt securities at amortised cost, net of allowance for expected credit losses		(9,343)	(25,640)
Capital expenditures on commercial property		(3,039)	(4,789)
Net cash outflow from investing activities		**(1,013)**	**(77,232)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		4,231	4,831
Purchase of treasury shares		(1,509)	(7,145)
Dividends paid – common shares		(276,524)	(138,341)
Redemption and repayment of debt securities issued	20	(140,705)	(177,600)
Proceeds from issue of debt securities issued	20	325,696	127,886
Repayment of lease liabilities		(2,273)	(3,077)
Net cash outflow from financing activities		**(91,084)**	**(193,446)**
Effect of changes in foreign exchange rates on cash and cash equivalents		(73,356)	95,885
Net change in cash and cash equivalents		(651,516)	590,310
CASH AND CASH EQUIVALENTS, beginning of the year	**5**	**2,028,831**	**1,438,521**
CASH AND CASH EQUIVALENTS, end of the year	**5**	**1,377,315**	**2,028,831**

During the years ended 31 December 2023 and 2022, there were non-cash transfers, which were excluded from the consolidated statement of cash flows and were disclosed in Notes 12, 13, 15 and 21.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

The accompanying notes are an integral part of these consolidated financial statements.

1. Principal activities

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Kyrgyzstan (classified as asset held for sale), Georgia and Uzbekistan, leasing services in Kazakhstan, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 23 June 2023. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange, KASE and Astana International Exchange.

As at 31 December 2023 and 2022, the Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva via JSC HG Almex.

As at 31 December 2023, the Bank operated through its head office in Almaty and its 25 regional branches, 119 sub-regional offices and 426 cash settlement units (31 December 2022 – 24, 120 and 428, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 December 2023, the number of the Group's employees was 16,833 (31 December 2022 – 16,325).

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Management Board on 13 March 2024.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly, no provision has been made in these consolidated financial statements.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country's economy.

The military and political conflict between Russian Federation and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises.

In 2023, the average price for Brent crude oil was 83 USD per barrel (2022: 101 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product ("GDP") grew by 4.9% per annum in 2023 (2022: 3.2%). Inflation in the country declined in 2023 to 9.8% per annum (2022: inflation was 20.3% per annum).

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In January 2024, the base rate further decreased to 15.25% per annum with a corridor of +/- 1.0 percentage points, in February 2024, the base rate decreased to 14.75% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

The impact of anti-Russian sanctions has a limited impact on the Group's currency risk; risks related to Russian securities and Russian banks are intangible in relation to the Group's assets. Claims to Russian banks are represented by insignificant amounts of balances on nostro accounts. The gross risk in relation to Russian securities and banks is KZT 45,827 million, the net risk is KZT 8,958 million. Due to significant changes in the operating environment caused by realized geopolitical risks, an extraordinary stress test of the Bank's financial stability was carried out. The stress testing results show a slight decrease in certain financial indicators (growth in provisions for expected credit losses, decrease in net profit and an outflow of customer funds). At the same time, given that the Group has sufficient equity capital and liquid assets, a significant deterioration in the financial position of the Group and violation of regulatory requirements and standards is not predicted.

As a result of significant changes in the operating environment, the financial condition of the Bank's large borrowers is not expected to deteriorate significantly. The Bank's clients to larger extend were able to make necessary changes to their supply and logistics chains and continue the implementation and completion of previously launched investment projects.

Management of the Group is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Group's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group's operations.

Ownership

As at 31 December 2023 and 2022, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 December 2023

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.6%
GDR holders	3,109,586,880	28.5%
Other	209,046,483	1.9%
Total shares in circulation (on consolidated basis)	**10,902,171,591**	**100%**

31 December 2022

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.7%
GDR holders	3,090,660,400	28.4%
Other	209,669,751	1.9%
Total shares in circulation (on consolidated basis)	**10,883,868,379**	**100%**

2. Basis of presentation

Statement of compliance

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

These consolidated financial statements have been prepared assuming that the Group is a going concern, as the Group have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources.

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are accounted for at fair value and insurance contract liabilities which are accounted at their fulfillment value in accordance with IFRS 17 for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation and impairment as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the date of the consolidated statement of financial position (current) and more than 12 months after the date of the consolidated statement of financial position (non-current) is presented in Note 31.

Functional currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Bank is KZT. The presentation currency of the consolidated financial statements is KZT.

(Millions of Kazakhstani Tenge)

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	31 December 2023	31 December 2022		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	General insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
OJSC Halyk Bank Kyrgyzstan*	100	100	Kyrgyzstan	Banking
JSC Halyk Global Markets	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	Uzbekistan	Banking

*On 24 October 2023, an agreement was signed on the sale of 100% of the shares of OJSC Halyk Bank Kyrgyzstan, as disclosed in Note 15.

Disposal of subsidiaries

On 16 November 2022, the Bank signed an agreement with CJSC International Bank of Tajikistan on the sale of 100% share capital of CJSC Halyk Bank Tajikistan (the "HBT"). On 1 December 2022, the Bank completed the procedure for the sale of 100% shares of the HBT. The Group recognized a loss in the amount of KZT 462 million as a result of disposal of subsidiary.

On 18 November 2022, in accordance with the terms of contract of sale, the Bank sold 100% share capital of JSC CB Moskommertsbank ("MKB") in the amount of 7,923,455 ordinary shares at par value RUB 450 per share. On 20 December 2022, the Bank completed the sale of 100% shares of the MKB. The Group recognized a loss in the amount of KZT 18,780 million as a result of disposal of subsidiary.

Loss from disposal of subsidiaries for the year ended 31 December 2022 represents the difference between the consideration received and the net assets value of subsidiaries in the consolidated financial statements of the Group.

(Millions of Kazakhstani Tenge)

Net cash outflows from disposal of JSC CB Moskommertsbank and CJSC Halyk Bank Tajikistan were as follows:

	Disposal of the MKB	Disposal of the HBT	Total
Cash proceeds on sale of subsidiaries	7,300	2,596	9,896
Less: disposed cash and cash equivalents	(57,991)	(8,276)	(66,267)
Net cash outflow	**(50,691)**	**(5,680)**	**(56,371)**

Loss from disposal of JSC CB Moskommertsbank and CJSC Halyk Bank Tajikistan were as follows:

	Disposal of the MKB	Disposal of the HBT	Total
Proceeds on sale of subsidiaries	7,300	2,596	9,896
Foreign exchange differences, reclassified to profit or loss on disposal of foreign subsidiaries	(5,400)	(1,576)	(6,976)
Less: carrying amount of disposed subsidiaries' net assets	(20,080)	(1,482)	(22,192)
Loss from disposal of subsidiaries	**(18,780)**	**(462)**	**(19,242)**

The management of the Group believes that the disposal of these subsidiaries did not have a significant impact on the consolidated financial statements of the Group, and therefore does not disclose this information as discontinued operations in the consolidated financial statements for the year ended 31 December 2023.

3. Material accounting policies

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to any non-controlling interests even if this results in any non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. Transactions with non-controlling shareholders are presented as financing activities in the consolidated statement of cash flows.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the National Banks of Kazakhstan, Georgia, Tajikistan, Uzbekistan and the Central Bank of the Russian Federation and cash which are not available to finance the Group’s day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Amounts due from credit institutions

In the normal course of business, the Group maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (“FVTPL”). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 “Financial Instruments” (“IFRS 9”) are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option
- Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available 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 in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Reclassification of financial assets

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Group considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 11 for more details.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10 and 11.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default, which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4 for more details.

For the details of supportable forward-looking information, please refer to Note 31 for more details.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of client's facility conditions such as collateral and materiality of exposure.

Purchased or originated credit-impaired ("POCI") financial assets.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

Derecognition of financial assets and liabilities

Financial assets

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

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

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet 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 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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year 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 tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.
Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment, except for any buildings and construction which are carried at revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The carrying amounts of property and equipment are reviewed at each reporting date.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held for sale

Non-current assets and the liabilities directly associated with non-current assets are classified as held for sale (“disposal group”) if it is highly probable that the net asset’s carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in profit or loss. Any subsequent increase in an asset's fair value less costs to sell is recognised to the extent of the cumulative impairment loss that was previously recognised in profit or loss in relation to that specific asset.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

Commercial property

In certain circumstances, the Group may foreclose commercial properties as part of the settlement of loan agreements with customers. The Group intends to sell these properties in the normal course of business and therefore these are initially measured at fair value including transaction costs and subsequently measured at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the commercial property is expected to be realised for. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Equity

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group, after the deduction of liabilities.

The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity instruments as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognised as share premium reserve. Effective 13 May 2003, upon a change in the law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. Dividends on shares purchased by the Group's subsidiaries are eliminated upon consolidation.

Dividends

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

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

Contingencies

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

Recognition of income and expense

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in ‘Net interest income’ as ‘Interest income calculated using the effective interest method’ and ‘Interest expense’ in the profit or loss account using the effective interest method.

Interest income on financial instruments measured at fair value through profit or loss is included in ‘Other interest income’ in the consolidated statement of profit or loss.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognised in the consolidated statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their statements of profit or loss are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2023 was – KZT 454.56 to USD, KZT 5.06 to RUB, KZT 502.24 to EUR (at 31 December 2022 was – KZT 462.65 to USD, KZT 6.43 to RUB, KZT 492.86 to EUR).

Insurance contracts
On 1 January 2023, the Group implemented IFRS 17, Insurance Contracts.

A. Key types of insurance contracts issued and reinsurance contracts held
The Group issues the following types of contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

<u>Life business – non-participating contracts including:</u>

- Term life insurance contracts providing level or decreasing sum assured coverage for a limited period of time in exchange for non-renewable fixed premiums.
  This group of contracts include the following material products of the Group – voluntary accumulative life insurance Kazyna, voluntary accumulative life insurance Baiterek, voluntary accumulative life insurance Bolashak Life, and others.
- Fixed annuity contracts providing the annuitant with a guaranteed income payout for life.
  This group of contracts include the following material products of the Group – pension annuity and annuities under employer liability. The Group accounts for these policies applying the General Model.

<u>Motor and property insurance policies:</u>

These comprise comprehensive and third-party liability car insurance policies as well as property insurance policies for contents and buildings and other properties with coverage of one year or more. This group of contracts include the following material products of the Group – voluntary life insurance Halyk Retail, voluntary life insurance Halyk Small Business, and obligatory insurance of an employee against accidents during the performance of his work duties, voluntary life insurance Halyk Eurasia, health insurance, and obligatory liability insurance for vehicle owners, property insurance, motor transport and liability insurance.
The Group accounts for these contracts applying the Premium Allocation Approach (PAA).

B. Definitions and classifications

Products sold by the Group are classified as insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation. The Group determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

C. Combining a set or series of contracts

Sometimes, the Group enters into two or more contracts at the same time with the same or related counterparties to achieve an overall commercial effect. The Group accounts for such a set of contracts as a single insurance contract when this reflects the substance of the contracts. When making this assessment, the Group considers whether:

- The rights and obligations are different when looked at together compared to when looked at individually
- The Group is unable to measure one contract without considering the other

D. Separating components from insurance and reinsurance contracts

In addition to the provision of the insurance coverage service, some insurance contracts issued by the Group have other components such as an investment component.
The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS 17.

Separating investment components

The Group issues certain life insurance policies. These include an investment component under which the Group is required to repay to a policyholder in all circumstances, regardless of an insured event occurring. In assessing whether an investment component is distinct and therefore required to be accounted for separately applying IFRS 9, the Group considers if the investment and insurance components are highly interrelated or not. A contract with equivalent terms to the investment component is sold (or could be sold) separately in the same market or in the same jurisdiction by other entities, including those issuing insurance contracts.
When the investment component meets the definition of an investment contract with discretionary participation features, it is then accounted for applying IFRS 17. In determining whether investment and insurance components are highly interrelated the Group assesses whether the Group is unable to measure one component without considering the other and whether the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other. The Group has not identified any distinct investment components. The Group applies IFRS 17 to account for non-distinct investment components as part of its insurance contracts.

Separating insurance components of a single insurance contract

Once investment components are separated, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts to reflect the substance of the transaction. To determine whether insurance components should be recognised and measured separately, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. When the Group enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

E. Level of aggregation

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines. The Group has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Some products issued by different entities within the Group are considered as being managed at the issuing entity level. This is because the management of the solvency capital management, which supports the issuance of these contracts, is ring-fenced within these entities.

Each portfolio is subdivided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied. At initial recognition, the Group segregates contracts based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. Each cohort is then further disaggregated into two groups of contracts:

- Contracts that are onerous on initial recognition
- Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Group determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information, the Group assesses each contract individually.

The composition of groups established at initial recognition is not subsequently reassessed. See Note 1.M below for the accounting policy on levels of aggregation for contracts that existed as at the transition date to IFRS 17.

For motor and property insurance contracts accounted for applying the PAA, the Group determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Group assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future. If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous, the Group performs a quantitative assessment to assess whether the carrying amount of the liability for remaining coverage determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the General Model. If the fulfilment cash flows related to remaining coverage determined applying the General Model exceed the PAA carrying amount of the liability for remaining coverage, the difference is recognised in profit or loss and the liability for remaining coverage is increased by the same amount.

When motor insurance contracts within a portfolio would only fall into different groups due to specific constraints imposed by law or regulation on the Group's practical ability to set a different price or level of benefits for male and female policyholders, the Group nevertheless includes those contracts in the same group.

F. Recognition

The Group recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received)
- The date when a group of contracts becomes onerous

The Group recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period. New contracts are included in the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognised. Investment contracts with discretionary participation features are initially recognised at the date the Group becomes a party to the contract.

G. Contract boundaries

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group. In determining which cash flows fall within a contract boundary, the Group considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Group determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Group has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk. If the boundary assessment is performed at a portfolio rather than individual contract level, the Group must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. The Group's pricing must not take into account any risks beyond the next reassessment date.

In determining whether all risks have been reflected either in the premium or in the level of benefits, the Group considers all risks that policyholders would transfer had the Group issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Group concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the Group's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Group disregards restrictions that have no commercial substance. The Group also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. The Group exercises judgement in deciding whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

In estimating expected future cash flows of a group of contracts, the Group applies judgement in assessing future policyholder behaviour surrounding the exercise of options available to them. These include surrender options, and other options falling within the contract boundary.

Cash flows are within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Group to deliver cash at a present or future date.
The Group assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations.

H. Measurement of insurance contracts issued

H1. Measurement on initial recognition for contracts other than PAA
The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the best estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Group estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way. When estimating future cash flows, the Group includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums;
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- Claim handling costs;
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows)
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities
- Other costs specifically chargeable to the policyholder under the terms of the contract

See Note 16 for fulfilment cash flows of reinsurance contracts held.

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period unless the Group has elected the accounting policy to present the time value of money separately in profit or loss. The Group measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

A mix of the bottom-up and top-down approaches was applied in the determination of the discount rates for different products. Bottom-up approach is used for cash flows denominated in foreign currencies. Top-down approach is used for cash flows denominated in KZT. Discount rates determined at the reporting date are disclosed in Note 16.

Risk adjustment for non-financial risk

The Group measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. In calculating the risk adjustment coefficient, the impact of the following actuarial assumptions on the level of insurance risk is taken into account:

- Probability of death by sex and age;
- Amount of administrative expenses;
- Probability of termination (if any);
- Probability of prolongation.

The calculation is made using the Value at Risk (VaR) method. Under this approach, the Group calculates the present value of future cash flows under a number of different scenarios (each scenario representing uncertainty resulting from non-financial risks) in order to reproduce the distribution of risks. The risk adjustment for non-financial risk is taken to be equal to the difference between the cost measure of risk at a given level of confidence and the average value - its best estimate. The reliability equal to 75% are accepted.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Group will recognise as it provides insurance contract services over the coverage period.
At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group
- Any other asset or liability previously recognised for cash flows related to the group
- Any cash flows that have already arisen on the contracts as of that date

If a group of contracts is onerous, the Group recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts. See Note 16.

The Group determines at initial recognition the group’s coverage units. The Group then allocates the group’s CSM based on the coverage units provided in the period.

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

The Group recognises an asset in respect of costs to secure a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are incurred before the recognition of the group of insurance contracts to which these costs relate. The Group recognises such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated. The related portion of the asset for insurance acquisition cash flows is derecognised and included in the measurement of the fulfilment cash flows of the associated group of contracts when the group is initially recognised. When only some of the insurance contracts expected to be included within the group are recognised as at the end of the reporting period, the Group determines the related portion of the asset that is derecognised and included in the group’s fulfilment cash flows. The related portion is determined on a systematic and rational allocation method that considers the timing of recognition of the contracts in the group.

At each reporting date, the Group reviews the carrying amounts of the asset for insurance acquisition cash flows to determine whether there is an indication that the asset has suffered an impairment. If any such indication exists, the Group adjusts the carrying amount of the asset so that the carrying amount of the asset does not exceed the expected net cash inflow for the associated future groups of contracts. An impairment loss is recognised in profit or loss for the difference. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent the impairment conditions no longer exist or have improved and the cumulative amount of impairment loss reversal does not exceed the impairment loss recognised for the asset in prior years.

H.2 Subsequent measurement under the General Model

In estimating the total future fulfilment cash flows, the Group distinguishes between those relating to already incurred claims and those relating to future service. At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC). The LRC represents the Group’s obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided (i.e. provision of investment-return and investment-related services) and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Group’s liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Group’s liability to pay amounts the Group is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the Group updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

The Group has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions. The Group first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculate changes on those cash flows from the change in non-financial assumptions.

Experience adjustments are the difference between:

- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in
- the period (and any related cash flows paid such as insurance acquisition cash flows)
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses)

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items. At the end of each reporting period, the Group re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Adjustments to the CSM

For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognized;
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition;
- Changes in the risk adjustment for non-financial risk relating to future service. The Group has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money;
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it became payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the fulfilment cash flows relating to the LIC;
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition;
- The changes in fulfilment cash flows related to future service, except:
– Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous
– Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts
- The effect of any currency exchange differences on the CSM;
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Group follows three steps:

- Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract;
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future;
- Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The number of coverage units change as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added to the group. The total number of coverage units depends on the expected duration of the obligations that the Group has from its contracts. These can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events. By determining a number of coverage units, the Group exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviour to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the 'quantity of benefits' provided under a contract.

Contracts with cash flows not dependent on underlying items

In determining the number of coverage units, the Group applies the following methods:

For term life (with level or decreasing sum assured) and fixed annuity policies, a method based on the expected coverage period and maximum contractual cover in each period is applied. This method is appropriate as there is variability in the contractual cover in each period and, therefore, variability in the amount of the service provided in each period.

The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to the coverage units provided in the period and the remaining coverage units relating to future periods.

H.3 Insurance contracts measured under the premium allocation approach

The Group applies the PAA to the measurement of motor and property insurance contracts with a coverage period of each contract in the group of one year or less. The Group applies the PAA to the measurement of motor and property insurance contracts with a coverage period of each contract in the group of more than one year if PAA model is applied.

On initial recognition, the Group measures the LRC at the amount of premiums received in cash. As all issued insurance contracts to which the PAA is applied have coverage of a year or less, the Group applies a policy of amortising all insurance acquisition cash flows over the contract’s coverage period.

Premiums due to the Group for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The Group has determined that there is no significant financing component in motor and property insurance contracts with a coverage period of one year or less. The Group does not discount the liability for remaining coverage to reflect the time value of money and financial risk for such insurance contracts.

The Group also applies the PAA to the all-quota share property and motor reinsurance contracts held. The coverage period of such reinsurance contracts held is 15 months or less. As the coverage period exceeds one year, the Group at initial recognition assesses whether the PAA is a reasonable approximation of the General Model.

For motor and property reinsurance contracts held with a coverage period longer than one year, the Group exercises judgement to determine whether a significant financing component exists. For groups of reinsurance contracts held with a significant financing component, the Group adjusts the LRC for the time value of money using discount rates determined at initial recognition.

For both motor and property insurance contracts issued and reinsurance contracts held, the carrying amount of the LIC is measured applying the General Model, except that:

- For claims that the Group expects to be paid within one year or less from the date of incurrence, the Group does not adjust future cash flows for the time value of money and the effects of financial risks;
- For claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognized.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts excluding any investment component. The allocation is done on the basis of the passage of time. The Group applies judgement in determining the basis of allocation. When facts and circumstances indicate that a group of contracts has become onerous, the Group performs a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Group recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

H.4 Onerous contracts

The Group considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing on a best estimate of future expected cashflows including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

On initial recognition, the CSM of the group of onerous contracts is nil and the group’s measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group’s ‘loss component’. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group’s loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component.

For groups of onerous contracts, without direct participating features, the Group uses locked-in discount rates. They are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component).

For all issued contracts, other than those accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- Insurance finance income or expense;
- Changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period;
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

The Group determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total fulfilment cash outflows included in the LRC.

Any subsequent decreases in fulfilment cash flows relating to future service allocated to the group (arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk) are allocated first to the loss component only. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service results in the establishment of the group's CSM.

For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:

- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component);
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component);
- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

All these amounts are accounted for as a reduction of the LRC excluding the loss component.

The Group recognises amounts in insurance service expenses related to the loss component arising from:

- Changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component;
- Subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted;
- Systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from incurred insurance services expenses.

I. Modification and derecognition

The Group derecognises the original contract and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- If the modified terms were included at contract inception and the Group would have concluded that the modified contract:
  – Is outside of the scope of IFRS 17;
  – Results in a different insurance contract due to separating components from the host contract;
  – Results in a substantially different contract boundary;
  – Would be included in a different group of contracts.
- The original contract was accounted for applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

If the contract modification meets any of the conditions, the Group performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Group treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the General Model, a change in the estimates of fulfilment cash flows results in a revised end of period CSM (before the current period allocation). A portion of the revised end of period CSM is allocated to the current period, as is the revised CSM amount applied from the beginning of the period but reflecting the change in the coverage units due to the modification during the period. This portion is calculated using updated coverage unit amounts determined at the end of the period and weighted to reflect the fact that the revised coverage existed for only part of the current period.

For insurance contracts accounted for applying the PAA, the Group adjusts insurance revenue prospectively from the time of the contract modification.

The Group derecognises an insurance contract when, and only when the contract is:

- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled);
- Modified and the derecognition criteria are met.

When the Group derecognises an insurance contract from within a group of contracts, it:

- Adjusts the fulfilment cash flows allocated to the group to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group;
- Adjusts the CSM of the group for the change in the fulfilment cash flows (unless it relates to the increase or reversal of the loss component);
- Adjusts the number of coverage units for expected remaining insurance contract services to reflect the coverage units derecognised from the group, and recognises in profit or loss in the period the amount of CSM based on that adjusted number.

When the Group transfers an insurance contract to a third party and that results in derecognition, the Group adjusts the CSM of the group from which the contract has been derecognised for the difference between the change in the carrying amount of the group caused by the derecognised fulfilment cash flows and the premium charged by the third party for the transfer.

When the Group derecognises an insurance contract due to modification, it derecognises the original insurance contract and recognises a new one. The Group adjusts the CSM of the group from which the modified contract has been derecognised for the difference between the change in the carrying amount of the group as a result of adjustment to fulfilment cash flows due to derecognition and the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium actually charged for the modification.

J. Presentation

The Group has presented separately in the consolidated statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Group disaggregates the amounts recognised in the consolidated statement of profit or loss into insurance revenue and insurance service expenses. The Group has voluntarily included the net insurance finance income or expenses line in insurance revenue

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and nonfinancial portion. It includes the entire change as part of the insurance service result.

J.1 Insurance revenue

As the Group provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Group expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the General Model, insurance revenue consists of the sum of the changes in the LRC due to:

- The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
  – Amounts allocated to the loss component
  – Repayments of investment components
  – Insurance acquisition expenses
  – Amounts relating to risk adjustment for non-financial risk
- The change in the risk adjustment for non-financial risk, excluding:
  – Changes that relate to future service that adjust the CSM
  – Amounts allocated to the loss component
- The amount of CSM for the services provided in the period.

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

When applying the PAA, the Group recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

J.2 Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- Other directly attributable insurance service expenses incurred in the period;
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue;
- Loss component of onerous groups of contracts initially recognised in the period;
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

J.3 Income or expenses from reinsurance contracts held

The Group presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers
- An allocation of the premiums paid

Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

For PAA contracts

When applying the PAA, the Group does not discount the liability for remaining coverage to reflect the time value of money and financial risk for motor and property insurance policies with a coverage period of one year or less. For those claims that the Group expects to be paid within one year or less from the date of incurrence, the Group does not adjust future cash flows for the time value of money and the effects of financial risks. However, claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised.

For non-participating contracts

For non-participating contracts whose cash flows are not affected by underlying items, the Group has elected to present all insurance finance income or expenses in profit or loss.

Exchange differences

Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held are recognised in profit or loss in the period in which they arise.
The group of insurance contracts with cash flows in different foreign currencies is assessed to be denominated in a single currency. Accordingly, the risk adjustment for non-financial risks and the CSM of the group of insurance contracts are determined in the currency of the group of contracts.
At the end of each reporting period, the carrying amount of the group of insurance contracts denominated in a foreign currency is translated into the functional currency.

The amounts arising from changes in exchange rates between the currency of the group of contracts and the functional currency are considered as exchange differences and are recognised in profit or loss in the period in which they arise.

K. Contracts existing at transition date

K.1 Contracts measured under the modified retrospective approach

For all life business the Group assessed historical information available and determined that all reasonable and supportable information necessary for applying the full retrospective approach was not available for groups of insurance contracts issued between 2019 to 2021 years prior to the transition date. For all non-life business the Group assessed historical information available and determined that all reasonable and supportable information necessary for applying the full retrospective approach was not available for groups of insurance contracts issued before 2021 year. The Group elected to apply the modified retrospective approach, which was intended to achieve the closest possible outcome to the full retrospective application maximising the use of available information.

The Group applied modifications in the following areas:

- Assessments of insurance contracts or groups of insurance contracts that would have been are required to be made at inception or initial recognition, such as assessments of insurance contracts profitability and identification of discretionary cash flows for indirect participating contracts
- Estimation of expected future cash flows, discount rates and risk adjustment for non-financial risk as at the date of initial recognition
- Determination of the CSM
- Determination of insurance finance income or expenses

Level of aggregation

To the extent that reasonable and supportable information was not available at the date of initial recognition, the Group applied simplification in assumptions development taking into account available and supportable information as at transition date. The Group assessed the CSM on the date of initial recognition to determine whether contracts belong to one of three profitability groups: groups of onerous contracts, groups of contracts that have no significant possibility of becoming onerous subsequently, and groups that are neither onerous nor have no significant possibility of becoming onerous subsequently.

Assessments at inception or initial recognition

The Group assessed that it did not have reasonable and supportable information to perform the following assessments as at the date of inception or initial recognition and accordingly performed the assessments using the following information available at the transition date:

Expected cash flows

The Group estimated the cash flows at the date of initial recognition by estimating these cash flows at the date of transition, or if known at an earlier date than the transition date, adjusted by actual cash flows that were known to have occurred between then and the date of initial recognition. These include cash flows from contracts that have ceased to exist by the date of transition.

The Group applied the simplified assumption that the expectations as at the date of transition were also valid at the date of initial recognition, so that only the known cash flows that have occurred since initial recognition are adjusted for.

Discount rates

To the extent that the Group did not have reasonable and supportable information to determine discount rates applicable on the date of initial recognition of the group of contracts, the Group estimated the discount rates using an observable yield curve that for at least three years prior to the transition (i.e. 2019-2021) approximated the current yield curve used for subsequent measurement applying IFRS 17. Since observable yield curve did not exist till 2019, the Group applied the discount rates as at 31 December 2019 for the valuation dates until 31 December 2019.

K.2 Contracts measured applying the fair value approach

The Group concluded that reasonable and supportable information for application of the modified retrospective approach was not available for Pension annuity and Obligatory Employer's Liability Lob issued before 2019 and therefore applied the fair value approach for those contracts.

The Group uses reasonable and supportable information available at the transition date to:

- Identify groups of insurance contracts
- Determine whether an insurance contract meets the definition of an insurance contract with direct participation features
- Identify discretionary cash flows for insurance contracts without direct participation features
- Determine whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17

Level of aggregation

The Group included contracts into one group of contracts as there was no reasonable and supportable information available to make the division.

Measurement at the transition date

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the group of contracts as of that date. In determining fair value, the Group followed the requirements of IFRS 13 Fair Value Measurement, except for that standard's requirement in relation to demand features (that fair value cannot be less than the amount repayable on demand), This is because it would contradict the IFRS 17 requirement to incorporate cash flows on a probability-weighted basis.

Discount rates

The Group used discount rates as at the date of initial recognition.

Insurance acquisition cash flows

The Group did not include an amount for insurance acquisition cash flows in the measurement of the groups of insurance contracts recognised at the transition date.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value. Subsequently, they are measured at the higher of (a) the amount recognised as a provision and (b) the amount initially recognised less, where appropriate, cumulative amortisation of initial premium revenue received over the financial guarantee contracts or letters of credit issued.

New and amended IFRS Standards that are effective for the current year.

The following amendments and interpretations are effective for the Group effective 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17 "Insurance contracts")
Amendments to IAS 1- Classification of liabilities as current or non-current
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 8 – "Definition of Accounting Estimates"

The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group except for IFRS 17 *Insurance Contracts.*

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendment to IFRS 16- Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1- Non-current Liabilities with Covenants	1 January 2024

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

4. 4a. Significant accounting estimates

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 31 for more details).

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default.

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 31 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated and sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD 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, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 11 and 31 for more details on allowances for ECL and Note 34 for more details on fair value measurement.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the consolidated financial statements for the year ended 31 December 2022:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 31. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

In 2023, the allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions and available forward-looking information.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2023 is KZT 489,926 million (31 December 2022: KZT 422,388million).

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 34 for more details on fair value measurement.

(Millions of Kazakhstani Tenge)

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

As at 31 December 2023, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

4b. Restatements

The consolidated statement of financial position as at 31 December 2022 and 1 January 2022 and the corresponding consolidated statement of profit or loss for the year ended 31 December 2022 have been amended due to the application of IFRS 17.

Consolidated statement of financial position	Balance under IFRS 4 31 December 2022	Recalculation 31 December 2022	Balance under IFRS 17 31 December 2022
Insurance contract assets	53,233	(49,139)	4,094
Reinsurance contract assets	-	22,809	22,809
Insurance contract liabilities	292,344	(69,036)	223,308
Reinsurance contract liabilities	-	1,711	1,711
Other assets	160,097	2,297	162,394
Other liabilities	189,343	4,062	193,405
Amounts due to customers	10,487,615	24,433	10,512,048
Retained earnings and other reserves	1,954,767	14,797	1,969,564

* Retained earnings and other reserves as at 31 December 2022 amounted to KZT 2,055,775 million, taking into account restatements due to the adoption of IFRS 17 and adjustments related to financial instruments measured at fair value through profit or loss recorded below.

(Millions of Kazakhstani Tenge)

Consolidated statement of financial position	Balance under IFRS 4 1 January 2022	Recalculation 1 January 2022	Balance under IFRS 17 1 January 2022
Insurance contract assets	54,111	(50,794)	3,317
Reinsurance contract assets	-	25,423	25,423
Loans to customers	5,872,228	(402)	5,871,826
Insurance contract liabilities	240,281	(46,085)	194,195
Reinsurance contract liabilities	-	3,535	3,535
Other assets	134,394	148	134,542
Other liabilities	155,147	15,283	170,430
Retained earnings and other reserves	1,614,824	1,642	1,616,466

Consolidated statement of profit and loss	Balance under IFRS 4 Year ended 31 December 2022	Recalculation Year ended 31 December 2022	Balance under IFRS 17 Year ended 31 December 2022
Interest income calculated using effective interest method	1,220,639	4	1,220,643
Interest expense	(577,445)	(737)	(578,182)
Expected credit loss expense	(106,778)	(151)	(106,929)
Fee and commission expense	(96,274)	175	(96,099)
Net gain on foreign exchange operations	178,900	(1,007)	177,893
Insurance underwriting income	155,760	39,116	194,876
Insurance claims incurred	(133,948)	17,981	(115,967)
Net reinsurance result	-	(51,278)	(51,278)
Operating expenses	(202,159)	9,141	(193,018)
Other expense	(2,166)	(4)	(2,170)
Net profit	553,752	13,240	566,992

In preparing the consolidated financial statements for the year ended 31 December 2023, the Group carried out an inventory of its financial instruments. The inventory process identified financial instruments measured at fair value through profit or loss that were previously restricted in use and were incorrectly measured at cost. The Group revaluated these financial instruments and recognized prior period adjustments. These financial assets measured at fair value through profit or loss are classified as Level 2.

Consolidated statement of financial position	As previously reported 31 December 2022	Adjustment 31 December 2022	As restated 31 December 2022
Financial assets at fair value through profit or loss	342,168	107,763	449,931
Deferred tax liability	52,595	21,552	74,147
Retained earnings and other reserves	1,969,564	86,211	2,055,775

Consolidated statement of financial position	As previously reported 1 January 2022	Adjustment 1 January 2022	As restated 1 January 2022
Financial assets at fair value through profit or loss	283,333	104,655	387,988
Deferred tax liability	50,469	20,931	71,400
Retained earnings and other reserves	1,616,466	83,724	1,700,190

(Millions of Kazakhstani Tenge)

Consolidated statement of profit and loss	As previously reported Year ended 31 December 2022	Adjustment Year ended 31 December 2022	As restated Year ended 31 December 2022
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(3,633)	3,108	(525)
Income tax expense	(105,097)	(621)	(105,718)

Consolidated statement of profit and loss	As previously reported Year ended 1 January 2022	Adjustment Year ended 1 January 2022	As restated Year ended 1 January 2022
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	13,035	1,687	14,722
Income tax expense	(59,980)	(422)	(60,402)

The consolidated statement of profit or loss for the year ended 31 December 2021 has been reclassified to conform to the presentation for the year ended 31 December 2022 because the presentation of the current year report provides a clearer picture of the Group's financial performance.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	31 December 2022
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	360,599	493,639
Short-term deposits with NBRK	350,310	769,907
Cash on hand	314,055	274,961
Correspondent accounts with NBRK	176,766	236,507
Short-term deposits with non-OECD based banks	57,349	6,652
Correspondent accounts with non-OECD based banks	40,418	40,199
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	39,052	17,152
Correspondent accounts with Kazakhstan banks	33,595	30,874
Overnight deposits with non-OECD based banks	5,171	20,138
Short-term deposits with OECD based banks	-	46,266
Overnight deposits with OECD based banks	-	92,536
Total cash and cash equivalents	**1,377,315**	**2,028,831**

As at 31 December 2023 and 2022, cash and cash equivalents allowance for expected credit losses comprised KZT 36 million and KZT 21 million, respectively.

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2023	31 December 2022
	Stage 1	Stage 1
At the beginning of the year	(21)	(42)
Changes in risk parameters	(28)	202
Foreign exchange differences and other movements	13	(181)
At the end of the year	**(36)**	**(21)**

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 December 2023		31 December 2022	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with NBRK	14.8%-15.8%	-	15.8%	4.0%-4.5%
Short-term deposits with non-OECD based banks	-	5.7%-12.0%	-	11%-15.0%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	14.8%-17.8%	3.6%-7.1%	14.8%-22.0%	-
Overnight deposits with non-OECD based banks	-	12.0%	-	3.0%-13.0%
Short-term deposits with OECD based banks	-	-	-	0.7%
Overnight deposits with OECD based banks	-	-	-	2.5%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	17,585	17,583	1,711	1,623
Corporate bonds	10,766	10,788	7,815	7,331
Treasury bills of the Ministry of Finance of Uzbekistan	6,094	6,096	-	-
Eurobonds of the foreign countries	2,113	2,092	-	-
Bonds of Kazakhstan banks	1,457	1,371	-	-
Bonds of JSC Development Bank of Kazakhstan	669	657	1,317	1,294
Bonds of foreign financial organizations	356	352	-	-
Notes of NBRK	12	12	6,216	6,367
Equity securities of Kazakhstan corporations	-	-	93	93
	39,052	**38,951**	**17,152**	**16,708**

As at 31 December 2023 and 2022, maturities of loans under reverse repurchase agreements are less than one month.

(Millions of Kazakhstani Tenge)

6. Obligatory reserves

Obligatory reserves comprise:

	31 December 2023	31 December 2022
Cash and due from banks allocated to obligatory reserves	244,866	259,544
Total obligatory reserves	**244,866**	**259,544**

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan Georgia, and Uzbekistan and used for calculation of the minimum reserve requirements. As at 31 December 2023, obligatory reserves of the Bank's subsidiaries JSC Halyk Bank Georgia and JSCB Tenge Bank comprised KZT 10,811 million (31 December 2022 – obligatory reserves of the Bank's subsidiaries OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia and JSCB Tenge Bank comprised KZT 24,991million).

7. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	31 December 2023	31 December 2022
Financial assets held for trading:		
Corporate bonds	186,343	171,078
Equity securities of foreign organizations	149,224	115,571
Treasury bills of the Ministry of Finance of Kazakhstan	51,137	11,529
Bonds of JSC Development Bank of Kazakhstan	35,546	37,871
Bonds of foreign organizations	34,668	2,460
Bonds of Kazakhstan banks	33,676	9,250
Eurobonds of foreign states	32,650	27,743
Derivative financial instruments	23,836	11,736
Bonds of foreign financial organizations	23,716	18,590
Equity securities of Kazakhstan corporations	12,723	44,103
NBRK notes	5,843	-
Total financial assets and liabilities at fair value through profit or loss	**589,362**	**449,931**

Financial liabilities at fair value through profit or loss comprise:

	31 December 2023	31 December 2022
Financial liabilities held for trading:		
Derivative financial instruments	4,202	10,628

(Millions of Kazakhstani Tenge)

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2023	31 December 2022
Corporate bonds	12.7%	11.4%
Treasury bills of the Ministry of Finance of Kazakhstan	12.8%	7.6%
Bonds of JSC Development Bank of Kazakhstan	14.7%	12.8%
Bonds of foreign organizations	6.2%	7.1%
Bonds of Kazakhstan banks	13.6%	12.2%
Eurobonds of foreign states	4.8%	4.7%
Bonds of foreign financial organizations	12.0%	10.7%
NBRK notes	15.4%	-

As at 31 December 2023 and 2022, financial assets at fair value through profit or loss included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 12,210 million and KZT 18,943 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2023 and 2022 matured before 18 January 2024 and 25 January 2023, respectively.

As at 31 December 2023 and 2022, financial assets assessed at fair value through profit or loss included Treasury bills of the Ministry of Finance of the Republic of Kazakhstan, JSC Development Bank of Kazakhstan, JSC Industrial Development Fund and JSC Kazakhstan Sustainability Fund, JP Morgan Securities PLC, CITIGROUP GLOBAL MARKETS LTD at fair value of KZT 188,100 million and KZT 6,609 million, respectively, pledged as collateral under repurchase agreements with other banks (see Note 19). All repurchase agreements as at 31 December 2023 and 2022 will mature before 17 November 2025 and 25 January 2023, respectively.

Derivative financial instruments comprise:

	31 December 2023			31 December 2022		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts						
Swaps	789,753	23,487	4,029	473,979	10,455	9,288
Spots	78,676	326	173	34,212	1,281	1,244
Forwards	4,736	23	-	4,627	-	96
		23,836	**4,202**		**11,736**	**10,628**

As at 31 December 2023 and 2022, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

(Millions of Kazakhstani Tenge)

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2023	31 December 2022
Deposit pledged as collateral	78,774	53,720
Term deposits and restricted accounts	51,367	35,121
Loans to credit institutions	42,013	47,159
	172,154	**136,000**
Less - Allowance for expected credit losses	(400)	(345)
Total amounts due from credit institutions	**171,754**	**135,655**

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 December 2023		31 December 2022	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Deposit pledged as collateral	1.8%-5.4%	2024-2046	0.1%-2.5%	2046
Term deposits and restricted accounts	1.0%-14.3%	2024	0.3%-18.0%	2022-2023
Loans to credit institutions	3.0%-9.1%	2024-2027	2.0%-13.0%	2022

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	31 December 2023		
	Stage 1	Stage 2	Total
At the beginning of the year	(201)	(144)	(345)
Changes in risk parameters	(65)	71	6
Foreign exchange differences and other movements	(64)	3	(61)
At the end of the year	**(330)**	**(70)**	**(400)**

	31 December 2022		
	Stage 1	Stage 2	Total
At the beginning of the year	(198)	-	(198)
Changes in risk parameters	6	(144)	(138)
Foreign exchange differences and other movements	(9)	-	(9)
At the end of the year	**(201)**	**(144)**	**(345)**

(Millions of Kazakhstani Tenge)

9. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of Kazakhstan	1,547,296	1,125,065
Corporate bonds	211,958	236,879
Eurobonds of foreign states	206,347	404,556
Bonds of foreign organisations	188,038	106,449
Bonds of JSC Development Bank of Kazakhstan	147,645	133,508
Bonds of foreign financial organizations	89,887	69,659
Local municipal bonds	10,756	10,578
Bonds of Kazakhstan banks	10,465	13,621
Treasury bills of the Ministry of Finance of Uzbekistan	3,880	-
	2,416,272	**2,100,315**

Equity securities comprise:

	31 December 2023	31 December 2022
Equity securities of Kazakhstan corporations	9,630	8,954
	9,630	**8,954**
Total financial assets at fair value through other comprehensive income	**2,425,902**	**2,109,269**

As at 31 December 2023 and 2022, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan, JSC Development Bank of Kazakhstan, JSC Industrial Development Fund, and JSC Kazakhstan Sustainability Fund at fair value of

KZT 188,100 million and KZT 6,609 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2023 and 2022 will be matured before 17 November 2025 and 25 January 2023, respectively.

As at 31 December 2023 and 2022, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,206 million and KZT 1,218 million, respectively (Note 10).

(Millions of Kazakhstani Tenge)

Interest rates and maturities of financial assets at fair value through other comprehensive income are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2023		31 December 2022	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	5.7%	2024-2045	4.8%	2023-2045
Corporate bonds	10.2%	2024-2047	10.3%	2023-2047
Eurobonds of foreign states	3.8%	2024-2025	1.6%	2023-2025
Bonds of foreign organisations	3.8%	2024-2027	2.2%	2023-2025
Bonds of JSC Development Bank of Kazakhstan	6.3%	2024-2032	4.9%	2024-2032
Bonds of foreign financial organisations	9.0%	2024-2030	7.6%	2023-2026
Local municipal bonds	10.8%	2026	10.8%	2026
Bonds of Kazakhstan banks	11.9%	2024-2026	11.7%	2023-2026
Treasury bills of the Ministry of Finance of Uzbekistan	7.9%	2028-2029	-	-

10. Debt securities at amortised cost, net of allowance for expected credit losses

Debt securities at amortised cost, net of allowances for expected credit losses comprise:

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of Kazakhstan	521,665	783,595
Corporate bonds	187,966	191,141
Treasury bills of Uzbekistan	7,421	25,234
Bonds of foreign organizations	5,332	8,221
Notes of National Bank of Georgia	2,959	3,002
Treasury bills of the Kyrgyz Republic	-	3,494
Notes of National Bank of the Kyrgyz Republic	-	2,689
Bonds of Kazakhstan banks	-	1,713
Total debt securities at amortised cost, net of allowance for expected credit losses	**725,343**	**1,019,089**

On 3 July 2023, the debt securities at amortized cost, net of allowances for expected credit losses of the Ministry of Finance of the Republic of Kazakhstan with a coupon rate of 9.5% and a maturity of 5 years in the amount of KZT 250 billion were fully redeemed.

As at 31 December 2023 and 2022, the allowance for expected credit losses on debt securities at amortised cost comprised KZT 656 million and KZT 350 million, respectively.

As at 31 December 2023 and 2022, debt securities at amortised cost, net of allowances for expected credit losses included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 269,231 million and KZT 505,588 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2023 and 2022 mature before 3 January 2024 and 25 January 2023, respectively.

(Millions of Kazakhstani Tenge)

Interest rates and maturities of debt securities at amortised cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2023		31 December 2022	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	9.1%	2026-2027	9.2%	2023-2027
Corporate bonds	3.3%	2024	3.3%	2024
Treasury bills of Uzbekistan	16.4%	2024	16.7%	2023
Bonds of foreign organizations	3.4%	2025	2.5%	2025
Notes of National Bank of Georgia	9.9%	2024-2028	9.6%	2024-2028
Treasury bills of the Kyrgyz Republic	-	-	10.0%	2023-2024
Notes of National Bank of Kyrgyz Republic	-	-	12.8%	2023
Bonds of Kazakhstan banks	-	-	4.1%	2023

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortised cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	31 December 2023			31 December 2022			
	Stage 1	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At the beginning of the year	**(1,398)**	**(170)**	**(1,568)**	**(1,628)**	-	**(1,594)**	**(3,222)**
Transfer to Stage 1	-	-	-	(437)	437	-	-
Transfer to Stage 2	-	-	-	440	(440)	-	-
Changes in risk parameters*	(1,212)	-	(1,212)	207	(134)	177	250
New originations or purchases of financial assets*	(465)	-	(465)	(208)	-	-	(208)
Derecognition of financial assets*	108	-	108	205	-	-	205
Disposal of subsidiaries	20	-	20	1	137	-	138
Write-offs	-	170	170	23	-	1,246	1,269
Foreign exchange differences and other movements	85	-	85	(1)	-	1	-
At the end of the year	**(2,862)**	**-**	**(2,862)**	**(1,398)**	-	**(170)**	**(1,568)**

* FS line “(Credit loss expense)/ Recovery of credit loss expense” in the consolidated statement of profit or loss is comprised from “Changes in risk parameters”, “New originations or purchases of financial assets” and “Derecognition of financial assets”.

(Millions of Kazakhstani Tenge)

11. Loans to customers

Loans to customers comprise:

	31 December 2023	31 December 2022
Purchased and originated loans to customers	9,752,598	8,259,709
Overdrafts	22,200	20,581
	9,774,798	**8,280,290**
Stage 1	8,992,052	7,549,514
Stage 2	51,860	106,694
Stage 3	700,518	586,787
Purchased or originated credit-impaired assets ("POCI")	30,368	37,295
Total	**9,774,798**	**8,280,290**
Less – Allowance for expected credit losses	(489,926)	(422,388)
Loans to customers	**9,284,872**	**7,857,902**

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2023, average interest rate on loans was 16.3% (for the year ended 31 December 2022 –14.2%).

As at 31 December 2023, the Group's loan concentration to the ten largest borrowers was KZT 1,745,993 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2022 – KZT 1,549,351 million, 19%) and 73% of the Group's total equity (as at 31 December 2022 – 81%). As at 31 December 2023, the allowance for expected credit losses created against these loans was KZT 17,489 million (as at 31 December 2022 – KZT 23,725 million).

The amount and type of collateral required 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 securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, equipment, guarantees of legal entities with external rating not lower than 'B';
- For retail lending, mortgages over residential properties, motor vehicles.

The Group obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The primary purpose of collateral is to reduce the potential credit loss in case of default. Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit losses.

(Millions of Kazakhstani Tenge)

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2023	31 December 2022
Loans collateralised by pledge of real estate or rights thereon	2,392,964	2,085,862
Consumer loans issued within the framework of payroll projects*	1,802,732	1,456,127
Loans collateralised by mixed types of collateral	1,164,050	1,128,130
Loans collateralised by guarantees	1,093,407	894,676
Loans collateralised by cash	485,530	406,136
Loans collateralised by pledge of corporate shares	408,871	344,630
Loans collateralised by pledge of equipment	402,584	357,587
Loans collateralised by pledge of vehicles	356,266	337,480
Loans collateralised by pledge of inventories	232,602	218,538
Loans collateralised by pledge of agricultural products	-	183
Unsecured loans	1,435,792	1,050,941
	9,774,798	**8,280,290**
Less – Allowance for expected credit losses	(489,926)	(422,388)
Loans to customers	**9,284,872**	**7,857,902**

*These loans are collateralised by cash to be received in the future from the employees of companies within the framework of salary projects.

Loans are granted to the following sectors:

	31 December 2023	%	31 December 2022	%
Retail loans:				
- consumer loans	2,720,125	28%	2,148,440	26%
- mortgage loans	392,280	4%	388,416	5%
	3,112,405		**2,536,856**	
Services	940,224	10%	796,329	10%
Wholesale trade	828,977	8%	649,849	8%
Retail trade	635,295	6%	528,459	6%
Energy	509,210	5%	320,085	4%
Financial services	367,719	4%	356,178	4%
Oil and gas	360,489	4%	401,939	5%
Metallurgy	356,780	4%	184,312	2%
Real estate	333,018	3%	337,180	4%
Transportation	330,840	3%	330,642	4%
Chemical industry	326,310	3%	327,215	4%
Food industry	302,575	3%	304,746	4%
Agriculture	298,939	3%	268,233	3%
Construction	274,556	3%	287,046	3%
Machinery	271,588	3%	221,028	3%
Communication	155,574	2%	92,976	1%
Mining	125,184	1%	145,260	2%
Hotel industry	72,136	1%	51,216	0%
Light industry	64,007	1%	53,278	1%
Other	108,972	1%	87,463	1%
	9,774,798	**100%**	**8,280,290**	**100%**

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan, and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur. No material modification gain/(loss) of loans to customers was recognized in 2023 and 2022.

As at 31 December 2023, accrued interest on loans comprised KZT 213,240 million (31 December 2022 – KZT 178,222 million).

During the years ended 31 December 2023 and 2022, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2023 and 2022, such assets of KZT 22,910 million and KZT 4,032 million, respectively, are included in assets classified as held for sale.

As at 31 December 2023 and 2022, loans to customers included loans of KZT 328,102 million and KZT 273,204 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due.

(Millions of Kazakhstani Tenge)

The following is a reconciliation of the gross carrying amounts at the beginning and end of year:

					31 December 2023
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**7,549,514**	**106,694**	**586,787**	**37,295**	**8,280,290**
Transfer to Stage 1	69,859	(32,039)	(37,820)	-	-
Transfer to Stage 2	(105,912)	112,093	(6,181)	-	-
Transfer to Stage 3	(342,347)	(108,555)	450,902	-	-
New originations or purchases of financial assets	8,151,453	-	-	-	8,151,453
Assets derecognised or repaid	(3,922,697)	(11,348)	(150,225)	(1,599)	(4,085,869)
Write-offs	-	-	(42,970)	(204)	(43,174)
Changes in the gross value of financial assets*	(2,363,817)	(14,714)	(87,169)	(5,124)	(2,470,824)
Disposal of subsidiaries	(44,001)	(271)	(12,806)	-	(57,078)
At the end of the year	**8,992,052**	**51,860**	**700,518**	**30,368**	**9,774,798**

					31 December 2023
Corporate Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**4,046,565**	**72,288**	**302,658**	**27,969**	**4,449,480**
Transfer to Stage 1	12,137	(1,006)	(11,131)	-	-
Transfer to Stage 2	(12,552)	12,552	-	-	-
Transfer to Stage 3	(208,546)	(58,791)	267,337	-	-
New originations or purchases of financial assets	4,462,136	-	-	-	4,462,136
Assets derecognised or repaid	(2,530,102)	(3,826)	(59,213)	(1,113)	(2,594,254)
Write-offs	-	-	(419)	(204)	(623)
Changes in the gross value of financial assets*	(1,140,687)	(7,910)	(109,042)	(2,284)	(1,259,923)
Disposal of subsidiaries	(8,078)	-	(5,164)		(13,242)
At the end of the year	**4,620,873**	**13,307**	**385,026**	**24,368**	**5,043,574**

(Millions of Kazakhstani Tenge)

					31 December 2023
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**2,354,692**	**15,253**	**163,659**	**3,252**	**2,536,856**
Transfer to Stage 1	37,109	(19,105)	(18,004)	-	-
Transfer to Stage 2	(52,774)	57,496	(4,722)	-	-
Transfer to Stage 3	(86,330)	(33,972)	120,302	-	-
New originations or purchases of financial assets	1,979,276	-	-	-	1,979,276
Assets derecognised or repaid	(662,894)	(1,495)	(51,285)	(81)	(715,755)
Write-offs	-	-	(33,001)	-	(33,001)
Changes in the gross value of financial assets*	(665,135)	2,849	22,334	(1,025)	(640,977)
Disposal of subsidiaries	(12,985)	(60)	(949)	-	(13,994)
At the end of the year	**2,890,959**	**20,966**	**198,334**	**2,146**	**3,112,405**

					31 December 2023
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**1,148,257**	**19,153**	**120,470**	**6,074**	**1,293,954**
Transfer to Stage 1	20,613	(11,928)	(8,685)	-	-
Transfer to Stage 2	(40,586)	42,045	(1,459)	-	-
Transfer to Stage 3	(47,471)	(15,792)	63,263	-	-
New originations or purchases of financial assets	1,710,041	-	-	-	1,710,041
Assets derecognised or repaid	(729,701)	(6,027)	(39,727)	(405)	(775,860)
Write-offs	-	-	(9,550)	-	(9,550)
Changes in the gross value of financial assets*	(557,995)	(9,653)	(461)	(1,815)	(569,924)
Disposal of subsidiaries	(22,938)	(211)	(6,693)	-	(29,842)
At the end of the year	**1,480,220**	**17,587**	**117,158**	**3,854**	**1,618,819**

(Millions of Kazakhstani Tenge)

					31 December 2022
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**5,469,752**	**245,157**	**502,058**	**33,293**	**6,250,260**
Transfer to Stage 1	119,859	(79,334)	(40,525)	-	-
Transfer to Stage 2	(168,158)	178,398	(10,240)	-	-
Transfer to Stage 3	(280,560)	(127,720)	408,280	-	-
New originations or purchases of financial assets	6,473,557	-	-	14,180	6,487,737
Assets derecognised or repaid	(2,712,559)	(65,294)	(152,482)	(1,963)	(2,932,298)
Write-offs	-	-	(42,021)	(725)	(42,746)
Changes in the gross value of financial assets*	(1,300,954)	(29,038)	(53,669)	(7,490)	(1,391,151)
Disposal of subsidiaries	(51,423)	(15,475)	(24,614)	-	(91,512)
At the end of the year	**7,549,514**	**106,694**	**586,787**	**37,295**	**8,280,290**

					31 December 2022
Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	**2,834,605**	**197,214**	**234,273**	**26,974**	**3,293,066**
Transfer to Stage 1	75,274	(55,939)	(19,335)	-	-
Transfer to Stage 2	(82,793)	84,594	(1,801)	-	-
Transfer to Stage 3	(152,224)	(75,562)	227,786	-	-
New originations or purchases of financial assets	3,433,144	-	-	4,079	3,437,223
Assets derecognised or repaid	(1,742,842)	(45,998)	(70,675)	(606)	(1,860,121)
Write-offs	-	-	(777)	-	(777)
Changes in the gross value of financial assets*	(317,595)	(25,470)	(64,055)	(2,478)	(409,598)
Disposal of subsidiaries	(1,004)	(6,551)	(2,758)	-	(10,313)
At the end of the year	**4,046,565**	**72,288**	**302,658**	**27,969**	**4,449,480**

(Millions of Kazakhstani Tenge)

					31 December 2022
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**1,758,678**	**11,633**	**141,870**	**-**	**1,912,181**
Transfer to Stage 1	26,033	(14,718)	(11,315)	-	-
Transfer to Stage 2	(43,093)	46,965	(3,872)	-	-
Transfer to Stage 3	(77,583)	(25,457)	103,040	-	-
New originations or purchases of financial assets	1,700,680	-	-	5,450	1,706,130
Assets derecognised or repaid	(447,297)	(2,221)	(48,284)	-	(497,802)
Write-offs	-	-	(25,065)	-	(25,065)
Changes in the gross value of financial assets*	(532,855)	2,805	17,998	(2,198)	(514,250)
Disposal of subsidiaries	(29,871)	(3,754)	(10,713)	-	(44,338)
At the end of the year	**2,354,692**	**15,253**	**163,659**	**3,252**	**2,536,856**

					31 December 2022
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**876,469**	**36,310**	**125,915**	**6,319**	**1,045,013**
Transfer to Stage 1	18,552	(8,677)	(9,875)	-	-
Transfer to Stage 2	(42,272)	46,839	(4,567)	-	-
Transfer to Stage 3	(50,753)	(26,701)	77,454	-	-
New originations or purchases of financial assets	1,339,733		-	4,651	1,344,384
Assets derecognised or repaid	(522,420)	(17,075)	(33,523)	(1,357)	(574,375)
Write-offs	-	-	(16,179)	(725)	(16,904)
Changes in the gross value of financial assets*	(450,504)	(6,373)	(7,612)	(2,814)	(467,303)
Disposal of subsidiaries	(20,548)	(5,170)	(11,143)	-	(36,861)
At the end of the year	**1,148,257**	**19,153**	**120,470**	**6,074**	**1,293,954**

* Changes in the gross value of financial assets includes changes in gross carrying amount associated with partial repayment of debt, accrual of interest income and foreign exchange differences

(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

					31 December 2023
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(113,665)**	**(17,767)**	**(269,840)**	**(21,116)**	**(422,388)**
Transfer to Stage 1	(22,216)	5,356	16,860	-	-
Transfer to Stage 2	4,729	(7,053)	2,324	-	-
Transfer to Stage 3	15,074	20,332	(35,406)	-	-
Changes in risk parameters*	44,670	(9,234)	(176,425)	16,887	(124,102)
New originations or purchases of financial assets*	(99,959)	-	-	-	(99,959)
Derecognition of financial assets*/**	47,400	881	83,904	2,982	135,167
Recoveries of allowances on previously written-off assets	(420)	-	(17,215)	(12,231)	(29,866)
Write-offs	-	-	42,970	204	43,174
Disposal of subsidiaries	1,836	89	2,226	-	4,151
Foreign exchange differences and other movements	402	34	2,947	514	3,897
At the end of the year	**(122,149)**	**(7,362)**	**(347,655)**	**(12,760)**	**(489,926)**

					31 December 2023
Corporate Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(26,828)**	**(13,277)**	**(138,666)**	**(19,280)**	**(198,051)**
Transfer to Stage 1	(5,842)	32	5,810	-	-
Transfer to Stage 2	17	(17)	-	-	-
Transfer to Stage 3	5,277	10,482	(15,759)	-	-
Changes in risk parameters*	7,328	(530)	(70,460)	15,961	(47,701)
New originations or purchases of financial assets*	(21,614)	-	-	-	(21,614)
Derecognition of financial assets*/**	19,454	297	28,834	2,708	51,293
Recoveries of allowances on previously written-off assets	(243)	-	(9,140)	(11,878)	(21,261)
Write-offs	-	-	419	204	623
Disposal of subsidiaries	745	-	747	-	1,492
Foreign exchange differences and other movements	145	3	3,405	515	4,068
At the end of the year	**(21,561)**	**(3,010)**	**(194,810)**	**(11,770)**	**(231,151)**

(Millions of Kazakhstani Tenge)

					31 December 2023
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(74,364)**	**(3,108)**	**(93,919)**	**(125)**	**(171,516)**
Transfer to Stage 1	(13,179)	3,815	9,364	-	-
Transfer to Stage 2	3,536	(5,667)	2,131	-	-
Transfer to Stage 3	8,361	7,604	(15,965)	-	-
Changes in risk parameters*	32,887	(6,270)	(83,659)	128	(56,914)
New originations or purchases of financial assets*	(60,306)	-	-	-	(60,306)
Derecognition of financial assets*/**	21,472	227	38,342	1	60,042
Recoveries of allowances on previously written-off assets	-	-	(5,719)	(173)	(5,892)
Write-offs	-	-	33,001	-	33,001
Disposal of subsidiaries	390	70	266	-	726
Foreign exchange differences and other movements	(26)	3	(174)	-	(197)
At the end of the year	**(81,229)**	**(3,326)**	**(116,332)**	**(169)**	**(201,056)**

					31 December 2023
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(12,473)**	**(1,382)**	**(37,255)**	**(1,711)**	**(52,821)**
Transfer to Stage 1	(3,195)	1,509	1,686	-	-
Transfer to Stage 2	1,176	(1,369)	193	-	-
Transfer to Stage 3	1,436	2,246	(3,682)	-	-
Changes in risk parameters*	4,455	(2,434)	(22,306)	798	(19,487)
New originations or purchases of financial assets*	(18,039)	-	-	-	(18,039)
Derecognition of financial assets*/**	6,474	357	16,728	273	23,832
Recoveries of allowances on previously written-off assets	(177)	-	(2,356)	(180)	(2,713)
Write-offs	-	-	9,550	-	9,550
Disposal of subsidiaries	701	19	1,213	-	1,933
Foreign exchange differences and other movements	283	28	(284)	(1)	26
At the end of the year	**(19,359)**	**(1,026)**	**(36,513)**	**(821)**	**(57,719)**

(Millions of Kazakhstani Tenge)

					31 December 2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(69,846)**	**(48,369)**	**(240,242)**	**(19,575)**	**(378,032)**
Transfer to Stage 1	(12,769)	4,042	8,727	-	-
Transfer to Stage 2	3,522	(5,226)	1,704	-	-
Transfer to Stage 3	4,657	33,185	(37,842)	-	-
Changes in risk parameters*	13,156	(19,588)	(87,678)	275	(93,835)
New originations or purchases of financial assets*	(79,156)	-	-	-	(79,156)
Derecognition of financial assets*/**	26,340	16,001	39,426	2,327	84,094
Recoveries of allowances on previously written-off assets	-	-	(12,006)	(3,109)	(15,115)
Write-offs	-	-	42,021	725	42,746
Disposal of subsidiaries	3,037	2,584	18,264	-	23,885
Foreign exchange differences and other movements	(2,606)	(396)	(2,214)	(1,759)	(6,975)
At the end of the year	**(113,665)**	**(17,767)**	**(269,840)**	**(21,116)**	**(422,388)**

					31 December 2022
Corporate Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(5,786)**	**(42,199)**	**(127,195)**	**(16,698)**	**(191,878)**
Transfer to Stage 1	(2,512)	569	1,943	-	-
Transfer to Stage 2	407	(424)	17	-	-
Transfer to Stage 3	614	24,925	(25,539)	-	-
Changes in risk parameters*	(8,519)	(10,144)	(12,374)	540	(30,497)
New originations or purchases of financial assets*	(16,079)	-	-	-	(16,079)
Derecognition of financial assets*/**	6,904	13,889	27,954	1,064	49,811
Recoveries of allowances on previously written-off assets	-	-	(5,896)	(2,507)	(8,403)
Write-offs	-	-	777	-	777
Disposal of subsidiaries	111	554	3,101	-	3,766
Foreign exchange differences and other movements	(1,968)	(447)	(1,454)	(1,679)	(5,548)
At the end of the year	**(26,828)**	**(13,277)**	**(138,666)**	**(19,280)**	**(198,051)**

(Millions of Kazakhstani Tenge)

					31 December 2022
Retail Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(54,991)**	**(4,332)**	**(61,020)**	**-**	**(120,343)**
Transfer to Stage 1	(8,807)	2,715	6,092	-	-
Transfer to Stage 2	2,836	(4,320)	1,484	-	-
Transfer to Stage 3	6,510	5,664	(12,174)	-	-
Changes in risk parameters*	15,736	(3,846	(59,047)	(125)	(47,282)
New originations or purchases of financial assets*	(50,125)	-	-	-	(50,125)
Derecognition of financial assets*/**	14,323	322	7,029	-	21,674
Recoveries of allowances on previously written-off assets	-	-	(5,002)	-	(5,002)
Write-offs	-	-	25,065	-	25,065
Disposal of subsidiaries	380	707	4,069	-	5,156
Foreign exchange differences and other movements	(226)	(18)	(415)	-	(659)
At the end of the year	**(74,364)**	**(3,108)**	**(93,919)**	**(125)**	**(171,516)**

					31 December 2022
SME Business	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At the beginning of the year	**(9,069)**	**(1,838)**	**(52,027)**	**(2,877)**	**(65,811)**
Transfer to Stage 1	(1,450)	758	692	-	-
Transfer to Stage 2	279	(482)	203	-	-
Transfer to Stage 3	(2,467R	2,596	(129)	-	-
Changes in risk parameters*	5,939	(5,598)	(16,257)	(140)	(16,056)
New originations or purchases of financial assets*	(12,952)	-	-	-	(12,952)
Derecognition of financial assets*/**	5,113	1,790	4,443	1,263	12,609
Recoveries of allowances on previously written-off assets	-	-	(1,108)	(602)	(1,710)
Write-offs	-	-	16,179	725	16,904
Disposal of subsidiaries	2,546	1,323	11,094	-	14,963
Foreign exchange differences and other movements	(412)	69	(345)	(80)	(768)
At the end of the year	**(12,473)**	**(1,382)**	**(37,255)**	**(1,711)**	**(52,821)**

* FS line "(Credit loss expense)/ Recovery of credit loss expense" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".
*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

During the years ended 31 December 2023 and 2022, the Group has written off loans of KZT 43,174 million and KZT 42,746 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

Allowance for expected credit losses and provisions

For the year ended 31 December 2023, credit loss expense on loans to customers comprised KZT 88,894 million (2022 year: credit loss expense on loans to customers comprised KZT 88,897 million).

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the risk management function.

The Bank and its subsidiaries are using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers' credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 - 10 - very high risk of default/default.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

(Millions of Kazakhstani Tenge)

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

					31 December 2023
	Stage 1	**Stage 2**	**Stage 3**		
Rating score	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	1,749,142	-	-	-	1,749,142
5	2,623,093	1,866	5,848	10,516	2,641,323
6	214,067	11,283	232,656	4,834	462,840
7	-	-	54,889	610	55,499
8-10	-	-	91,632	8,408	100,040
Loans to corporate customers that are individually assessed for impairment	4,586,302	13,149	385,025	24,368	5,008,844
Loans to SME customers and retail business that are individually assessed for impairment	852,628	12,226	71,803	4,441	941,098
Loans to customers that are collectively assessed for impairment	3,553,122	26,485	243,690	1,559	3,824,856
	8,992,052	**51,860**	**700,518**	**30,368**	**9,774,798**
Less – Allowance for expected credit losses	(122,149)	(7,362)	(347,655)	(12,760)	(489,926)
Loans to customers	**8,869,903**	**44,498**	**352,863**	**17,608**	**9,284,872**

					31 December 2022
	Stage 1	**Stage 2**	**Stage 3**		
Rating score	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
1-3	-	-	-	-	-
4	1,779,631	-	-	-	1,779,631
5	1,914,670	28,800	28,756	9,787	1,982,013
6	323,860	43,457	128,925	6,769	503,011
7	-	2,622	52,432	334	55,388
8-10	-	-	101,516	11,079	112,595
Loans to corporate customers that are individually assessed for impairment	4,018,161	74,879	311,629	27,969	4,432,638
Loans to SME customers and retail business that are individually assessed for impairment	640,447	12,185	65,361	7,267	725,260
Loans to customers that are collectively assessed for impairment	2,890,906	19,630	209,797	2,059	3,122,392
	7,549,514	**106,694**	**586,787**	**37,295**	**8,280,290**
Less – Allowance for expected credit losses	(113,665)	(17,767)	(269,840)	(21,116)	(422,388)
Loans to customers	**7,435,849**	**88,927**	**316,947**	**16,179**	**7,857,902**

(Millions of Kazakhstani Tenge)

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2023 and 2022 is as follows:

As at 31 December 2023	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	2,862,892	(88,290)	2,774,602
Overdue:			
up to 30 days	64,459	(9,445)	55,014
31 to 60 days	18,532	(3,744)	14,788
61 to 90 days	12,976	(3,090)	9,886
91 to 180 days	26,141	(21,803)	4,338
over 180 days	101,337	(70,547)	30,790
Loans to retail business that are collectively and individually assessed for impairment	**3,086,337**	**(196,919)**	**2,889,418**
Loans to SME customers			
Not past due	1,526,304	(26,208)	1,500,096
Overdue:			
up to 30 days	20,800	(1,413)	19,387
31 to 60 days	10,022	(1,599)	8,423
61 to 90 days	3,530	(1,429)	2,101
91 to 180 days	11,011	(7,095)	3,916
over 180 days	47,152	(19,975)	27,177
Loans to SME customers that are collectively and individually assessed for impairment	**1,618,819**	**(57,719)**	**1,561,100**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**4,705,156**	**(254,638)**	**4,450,518**
Loans to corporate customers that are collectively and individually assessed for impairment	**5,043,574**	**(231,151)**	**4,812,423**
Loans related to card transactions	**26,068**	**(4,137)**	**21,931**
Loans to customers	**9,774,798**	**(489,926)**	**9,284,872**

(Millions of Kazakhstani Tenge)

As at 31 December 2022	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	2,332,737	(81,822)	2,250,915
Overdue:			
up to 30 days	59,894	(9,656)	50,238
31 to 60 days	15,049	(3,700)	11,349
61 to 90 days	10,599	(3,094)	7,505
91 to 180 days	21,264	(15,956)	5,308
over 180 days	73,880	(53,657)	20,223
Loans to retail business that are collectively and individually assessed for impairment	**2,513,423**	**(167,885)**	**2,345,538**
Loans to SME customers			
Not past due	1,198,007	(22,547)	1,175,460
Overdue:			
up to 30 days	21,747	(1,248)	20,499
31 to 60 days	13,202	(3,682)	9,520
61 to 90 days	9,603	(4,078)	5,525
91 to 180 days	5,661	(2,535)	3,126
over 180 days	45,734	(18,731)	27,003
Loans to SME customers that are collectively and individually assessed for impairment	**1,293,954**	**(52,821)**	**1,241,133**
Loans to SME customers and retail business that are collectively and individually assessed for impairment	**3,807,377**	**(220,706)**	**3,586,671**
Loans to corporate customers that are collectively and individually assessed for impairment	**4,449,480**	**(198,051)**	**4,251,429**
Loans related to card transactions	**23,433**	**(3,631)**	**19,802**
Loans to customers	**8,280,290**	**(422,388)**	**7,857,902**

12. Investment property

	2023	2022
As at 1 January	**35,541**	**28,007**
Additions	16,449	3,792
Disposals	(5,393)	(8,565)
Transferred to/from commercial property	657	3,998
Transferred from property and equipment	37	2,766
Gain on revaluation of investment property	58	5,410
Translation differences	(23)	133
As at 31 December	**47,326**	**35,541**

During the years ended 31 December 2023 and 2022, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received investment property of KZT 16,449 million and KZT 3,792 million, respectively.

As at 31 December 2023 and 2022, there was no investment property that was pledged as collateral for liabilities.

(Millions of Kazakhstani Tenge)

As at 31 December 2023 and 2022, other income includes income in the amount of KZT 2,534 million and KZT 2,107 million, respectively, from the rental of investment real estate.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2023 and 2022 were KZT 1,280 million and KZT 2,107 million, respectively.

Investment property owned by the Group was revalued by independent appraisers as at 31 December 2023 and 2022. The fair value of the investment property was estimated based on the income approach and the comparative approach. When estimating the fair value of the properties, their current use is considered the best use and the most effective. There has been no change to the valuation technique during the year. This revaluation resulted in recognition of a revaluation gain in the consolidated statement of profit or loss for the years ended 31 December 2023 and 31 December 2022 – KZT 58 million and KZT 5,410 million, respectively.

As at 31 December 2023 and 2022, the fair value measurements of the Group's investment property of KZT 47,326 million and KZT 35,541 million, respectively, are categorised into Level 3 (description of measurement hierarchy is disclosed in Note 36).

13. Commercial property

	2023	2022
As at 1 January	**76,538**	**92,412**
Additions	19,122	22,631
Sale of property	(23,160)	(39,296)
Capitalised expenses	3,039	4,789
Transfer/reclassification to investment property	(657)	(3,998)
As at 31 December	**74,882**	**76,538**

During the years ended 31 December 2023 and 2022, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received commercial property of KZT 19,122 million and KZT 22,631 million, respectively.

(Millions of Kazakhstani Tenge)

14. Property and equipment and intangible assets

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2022	**136,378**	**5,042**	**55,292**	**4,136**	**29,794**	**9,158**	**32,030**	**271,830**
Additions	363	1,707	9,677	22,759	4,410	2,509	4,071	45,496
Disposals	(601)	(114)	(2,297)	(6)	(854)	(2,580)	(316)	(6,768)
Revaluation	12	-	-	-	-	-	-	12
Reclassification to assets classified as held for sale	(3,138)	(31)	(862)	-	(1,665)	(92)	(3,079)	(8,867)
Transferred to investment property	(37)	-	-	-	-	-	-	(37)
Transfers	4,815	-	(87)	(4,820)	92	-	-	-
Translation differences	(155)	(30)	(138)	(337)	(461)	(261)	(572)	(1,954)
31 December 2023	**137,637**	**6,574**	**61,585**	**21,732**	**31,316**	**8,734**	**32,134**	**299,712**
Accumulated depreciation:								
31 December 2022	**957**	**2,774**	**24,879**	**-**	**13,390**	**4,327**	**17,715**	**64,042**
Charge	3,079	642	7,103	-	3,093	2,296	2,635	18,848
Disposals	(601)	(110)	(2,255)	-	(829)	(1,943)	(312)	(6,050)
Reclassification to assets held for sale	(68)	(31)	(663)	-	(703)	(38)	(1,139)	(2,642)
Transfers	-	-	24	-	(24)	-	-	-
Translation differences	10	(13)	(90)	-	(88)	(363)	(112)	(656)
31 December 2023	**3,377**	**3,262**	**28,998**	-	**14,839**	**4,279**	**18,787**	**73,542**
Net book value:								
31 December 2023	**134,260**	**3,312**	**32,587**	**21,732**	**16,477**	**4,455**	**13,347**	**226,170**

(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2021	**120,179**	**5,022**	**46,633**	**5,656**	**25,390**	**10,147**	**30,508**	**243,535**
Additions	462	298	9,823	4,166	6,409	3,098	4,759	29,015
Disposals	(5,704)	(339)	(4,431)	(11)	(2,682)	(4,320)	(4,226)	(21,713)
Revaluation	20,455	-	-	304	-	-	-	20,759
Reclassification to assets classified as held for sale	(41)	-	(39)	(657)	(98)	-	-	(835)
Transferred to investment property	(2,766)	-	-	-	-	-	-	(2,766)
Transfers	2,445	-	2,739	(5,447)	265	-	(2)	-
Translation differences	1,348	61	567	125	510	233	991	3,835
31 December 2022	**136,378**	**5,042**	**55,292**	**4,136**	**29,794**	**9,158**	**32,030**	**271,830**
Accumulated depreciation:								
31 December 2021	**3,255**	**2,363**	**21,608**	**-**	**11,805**	**3,694**	**16,961**	**59,686**
Charge	1,938	609	6,705	-	2,747	2,472	2,803	17,274
Disposals	(539)	(223)	(3,641)	-	(1,495)	(2,080)	(2,456)	(10,434)
Write-off at revaluation	(3,764)	-	-	-	-	-	-	(3,764)
Transfers	(31)	-	(70)	-	101	-	-	-
Translation differences	98	25	277	-	232	241	407	1,280
31 December 2022	**957**	**2,774**	**24,879**	**-**	**13,390**	**4,327**	**17,715**	**64,042**
Net book value:								
31 December 2022	**135,421**	**2,268**	**30,413**	**4,136**	**16,404**	**4,831**	**14,315**	**207,788**

(Millions of Kazakhstani Tenge)

As at 31 December 2023, the increase in construction in progress in amount of KZT 22,759 million is associated with the construction of the Bank's administrative buildings in Astana and Tashkent, as well as the construction of a Data Processing Center in Astana.

The Group's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of significant changes in specific market or property indicators, the Group may opt to perform revaluations more regularly. In 2023, the management of the Group has not identified such significant changes in the commercial property market for similar buildings that Group owns and no revaluation has been performed accordingly.

The Group had its buildings and properties revalued during 2022 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2023, the fair value measurements of the Group's buildings and construction, are categorised into Level 2 in the amount of KZT 134,260 million, respectively
(31 December 2022 KZT 135,421 million). A description of the measurement hierarchy is disclosed in Note 36.

As at 31 December 2023, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 107,033 million
(31 December 2021: KZT 107,045 million).

15. Assets classified as held for sale and liabilities directly attributable to assets held for sale

After the default of some counterparties on loans to customers, the Group recognised the property pledged as collateral for those loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Group's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2023	31 December 2022
Assets held for sale related to OJSC Halyk Bank Kyrgyzstan	90,242	-
Land plots	12,578	11,257
Real estate	8,671	12,619
Movable property	51	47
Total assets classified as held for sale	**111,542**	**23,923**
Liabilities directly attributable to assets held for sale	58,422	-

(Millions of Kazakhstani Tenge)

OJSC Halyk Bank Kyrgyzstan is a commercial bank registered in Kyrgyzstan, which by type of activity is a universal bank. Created on 12 April 1999, in 2004 was acquired by JSC Halyk Bank of Kazakhstan.
OJSC Halyk Bank Kyrgyzstan has 10 branches and provides a wide range of banking services. The share of participation of JSC Halyk Bank of Kazakhstan in the capital is 100%.

On 24 October 2023, an agreement was signed on the sale of 100% of the shares of OJSC Halyk Bank Kyrgyzstan. The completion of the transaction is planned after receiving the consent of the National Bank of the Kyrgyz Republic from the Buyer. The expected completion date for the sale of JSC Halyk Bank Kyrgyzstan is the 1st quarter of 2024, as such assets and liabilities of OJSC Halyk Bank Kyrgyzstan were classified as held for sale.

The major classes of assets, net of impairment, and liabilities of OJSC Halyk Bank Kyrgyzstan as at 31 December 2023 are as follows:

	31 December 2023
Cash and cash equivalents	27,446
Obligatory reserves	2,897
Amounts due from credit institutions	71
Debt securities at amortized cost, net of allowance for expected credit losses	5,756
Loans to customers	41,585
Property and equipment and intangible assets	5,263
Long term assets classified as held for sale	418
Other assets	3,055
Assets of OJSC Halyk Bank Kyrgyzstan held for sale	86,491
Amounts due to customers	52,866
Amounts due to credit institutions	3,086
Provisions	136
Deferred tax liability	447
Other liabilities	1,887
Liabilities of OJSC Halyk Bank Kyrgyzstan directly related to assets held for sale	58,422
Net assets of OJSC Halyk Bank Kyrgyzstan held for sale	**28,096**

As a result of the reclassification of OJSC Halyk Bank Kyrgyzstan, the Group recognized an impairment loss in the amount of KZT 3,781 million for the year ended 31 December 2023 in the consolidated statement of profit or loss.

In November 2022, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 1,044 million, included to the “Loss from impairment of assets held for sale” in the consolidated statement of profit or loss.

Despite the Group actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2023 and 2022.

(Millions of Kazakhstani Tenge)

The fair value of the Group's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost-based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's assets held for sale and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	Level 2	Level 3	Total
31 December 2023			
Real estate	2,703	5,968	8,671
Land plots	-	12,578	12,578
Movable property	-	51	51
Net assets of OJSC Halyk Bank Kyrgyzstan held for sale	-	28,096	28,096
31 December 2022			
Real estate	5,548	7,071	12,619
Land plots	-	11,257	11,257
Movable property	-	47	47

(Millions of Kazakhstani Tenge)

16. Insurance contract assets and liabilities

Insurance contract assets and liabilities comprised the following:

					31 December 2023
	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	**Total**
Liabilities under insurance contracts at the beginning	175,050	6,878	35,690	5,690	**223,308**
Assets under insurance contracts at the beginning	4,094	-	-	-	**4,094**
Total as at 31 December 2023	170,956	6,878	35,690	5,690	**219,214**
Insurance revenue	(239,189)	-	-	-	**(239,189)**
Insurance expense:					
Incurred insurance losses and other incurred costs for insurance services	-	(1,963)	63,214	17,791	**79,042**
Amortization of acquisition cash flows	35,802	-	-	-	**35,802**
Changes attributed to past periods	-	-	12,624	3,002	**15,626**
Losses under groups of onerous contracts and restoration of such losses	-	1,377	-	-	**1,377**
Total expenses for insurance services taken into account in the assessment of liabilities	**35,802**	**(586)**	**75,838**	**20,793**	**131,847**
Result of insurance activities	(203,387)	(586)	75,838	20,793	**(107,342)**
Financial expenses or income from insurance contracts issued	3,465	1,159	376	36	**5,036**
Expenses from the revaluation of foreign currency	(1,407)	-	-	-	**(1,407)**
Total amounts recognized in profit or loss	**(201,329)**	**573**	**76,214**	**20,829**	**(103,713)**
Other changes	644	-	-	-	**644**
Cash flows for the period:					
Premiums received under insurance contracts issued	260,959	-	-	-	**260,959**
Payments for incurred insurance losses and other expenses for insurance services paid under issued insurance contracts, with the exception of acquisition cash flows	-	-	(62,055)	(10,155)	**(72,210)**
Acquisition cash flows	(42,118)	-	-	-	**(42,118)**
Total cash flows	**219,485**	**-**	**(62,055)**	**(10,155)**	**147,275**
Change in reserves for the year	**(18,156)**	**573**	**14,159**	**10,674**	**43,562**
Liabilities under insurance contracts at the end of the period	199,401	7,451	49,849	16,364	**273,065**
Assets under insurance contracts at the end of the period	10,289	-	-	-	**10,289**
Total as at 31 December 2023	**189,112**	**7,451**	**49,849**	**16,364**	**262,776**

(Millions of Kazakhstani Tenge)

31 December 2022

	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	**Total**
Liabilities under insurance contracts at the beginning	144,513	7,658	35,675	6,349	194,195
Assets under insurance contracts at the beginning	3,317	-	-	-	3,317
Total as at 31 December 2022	**141,196**	**7,658**	**35,675**	**6,349**	**190,878**
Insurance revenue	**(194,876)**	**-**	**-**	**-**	**(194,876)**
Insurance expense:					
Incurred insurance losses and other incurred costs for insurance services	-	(2,470)	46,576	5,925	50,031
Amortization of acquisition cash flows	71,124	-	-	-	71,124
Changes attributed to past periods	-	-	(4,305)	(1,467)	(5,772)
Losses under groups of onerous contracts and restoration of such losses	-	585	-	-	585
Total expenses for insurance services taken into account in the assessment of liabilities	**71,124**	**(1,885)**	**42,271**	**4,458**	**115,968**
Result of insurance activities	(123,752)	(1,885)	42,271	4,458	(78,908)
Financial expenses or income from insurance contracts issued	7,199	1,105	145	12	8,461
Expenses from the revaluation of foreign currency	1,578	-	-	-	1,578
Total amounts recognized in profit or loss	**(114,975)**	**(780)**	**42,416**	**4,470**	**(68,869)**
Other changes	(2,712)	-	-	-	(2,712)
Cash flows for the period:					
Premiums received under insurance contracts issued	179,930	-	-	-	179,930
Payments for incurred insurance losses and other expenses for insurance services paid under issued insurance contracts, with the exception of acquisition cash flows	-	-	(42,400)	(5,129)	(47,529)
Acquisition cash flows	(32,484)	-	-	-	(32,484)
Total cash flows	144,734	-	(42,400)	(5,129)	97,205
Change in reserves for the year	**29,759**	**(780)**	**16**	**(659)**	**28,336**
Liabilities under insurance contracts at the end of the period	175,049	6,878	35,691	5,690	223,308
Assets under insurance contracts at the end of the period	4,094	-	-	-	4,094
Total as at 31 December 2022	**170,955**	**6,878**	**35,691**	**5,690**	**219,214**

(Millions of Kazakhstani Tenge)

The table below shows the carrying amounts of portfolio assets and liabilities under insurance and reinsurance contracts as of the end of the reporting period for each class of activity:

											31 December 2023
LRC+LRCre	**Employer lability Annuities**	**Pension annuities**	**Endowment insurance**	**Term life insurance**	**Short-term agreements**	**Health insurance**	**Mandatory liability insurance for vehicle owners**	**Property insurance**	**Motor transport and liability insurance**	**Other**	**Total**
Assets under issued insurance contracts	-	-	-	-	(78)	(24)	-	(9,335)	(89)	(763)	**(10,289)**
Liabilities under issued insurance contracts	14,055	116,973	70,593	3,319	37,242	1,860	4,239	10,654	9,532	4,598	**273,065**
Net amount	**14,055**	**116,973**	**70,593**	**3,319**	**37,164**	**1,836**	**4,239**	**1,319**	**9,443**	**3,835**	**262,776**

(Millions of Kazakhstani Tenge)

31 December 2022

LRC+LRCre	Employer lability Annuities	Pension annuities	Endowment insurance	Term life insurance	Short-term agreements	Health insurance	Mandatory liability insurance for vehicle owners	Property insurance	Motor transport and liability insurance	Other	Total
Assets under issued insurance contracts	-	-	-	-	(81)	-	-	(3,359)	(19)	(635)	**(4,094)**
Liabilities under issued insurance contracts	13,650	100,342	52,986	3,452	25,594	1,628	3,143	10,616	7,825	4,072	**223,308**
Net amount	**13,650**	**100,342**	**52,986**	**3,452**	**25,513**	**1,628**	**3,143**	**7,257**	**7,806**	**3,437**	**219,214**

The Group used the following yield curves to discount cash flows:

		Life insurance					General insurance				
31 December 2023	**Currency**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
	KZT	15.7%	12.6%	11.3%	10.9%	10.8%	16.4%	10.2%	10.2%	-	-
	USD	4.8%	3.5%	3.4%	3.5%	3.2%	5.6%	4.5%	4.5%	-	-
Insurance contract	EUR	-	-	-	-	-	4.0%	3.0%	3.1%	-	-
31 December 2022	**Currency**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
	KZT	15.4%	12.7%	10.9%	10.03%	9.87%	9.6%	10.0%	9.6%	-	-
	USD	5.6%	4.5%	4.3%	4.1%	3.8%	5.6%	4.5%	4.3%	-	-
Insurance contract	EUR	-	-	-	-	-	3.4%	3.3%	3.3%	-	-

(Millions of Kazakhstani Tenge)

An analysis of the concentration of the Group's insurance risks (both before and after reinsurance) by business class and by region is given in the following tables:

	31 December 2023			31 December 2022		
	Net assets and liabilities under insurance contracts issued	**Net assets and liabilities under reinsurance contracts held**	**Net amount**	**Net assets and liabilities under insurance contracts issued**	**Net assets and liabilities under reinsurance contracts held**	**Net amount**
Employer Liability Annuities	14,055	-	14,055	13,650	-	13,650
Pension annuities	116,973	-	116,973	100,342	-	100,342
Endowment insurance	70,594	-	70,594	52,986	(2)	52,984
Term life insurance	3,319	(4,616)	(1,297)	3,452	(6,025)	(2,573)
Short-term contracts	37,164	(6,500)	30,664	25,513	(2,455)	23,058
Health insurance	1,836	(36)	1,800	1,628	(10)	1,618
Mandatory liability insurance for vehicle owners	4,239	-	4,239	3,143	-	3,143
Property insurance	1,319	(4,069)	(2,750)	7,257	(10,158)	(2,901)
Motor transport and liability insurance	9,443	(108)	9,335	7,806	(146)	7,660
Other	3,835	(2,126)	1,709	3,437	(2,302)	1,135
Total	**262,776**	**(17,455)**	**245,321**	**219,214**	**(21,098)**	**198,116**

(Millions of Kazakhstani Tenge)

	31 December 2023			31 December 2022		
	Net assets and liabilities under insurance contracts issued	Net assets and liabilities under reinsurance contracts held	Net amount	Net assets and liabilities under insurance contracts issued	Net assets and liabilities under reinsurance contracts held	Net amount
Concentration by region						
LRC						
Kazakhstan	205,910	5,562	200,348	180,802	6,286	174,516
OECD	(3,581)	(2,006)	(1,575)	(4,085)	5,229	(9,314)
Non-OECD	(5,772)	1,818	(7,590)	1,117	2,140	(1,023)
	196,557	**5,374**	**191,183**	**177,834**	**13,655**	**164,179**

	31 December 2023			31 December 2022		
	Net assets and liabilities under insurance contracts issued	Net assets and liabilities under reinsurance contracts held	Net amount	Net assets and liabilities under insurance contracts issued	Net assets and liabilities under reinsurance contracts held	Net amount
Concentration by region						
LIC						
Kazakhstan	65,279	12,063	53,216	40,159	7,199	32,960
OECD	394	10	384	736	131	605
Non-OECD	546	8	538	485	113	372
	66,219	**12,081**	**54,138**	**41,380**	**7,443**	**33,937**

(Millions of Kazakhstani Tenge)

The table below summarizes actual claims compared to historical estimates of undiscounted claims. The Group discloses the gross and net amounts of claims arising during the 10 years prior to the reporting period. The Group reconciles the liabilities for incurred claims presented in the table with the aggregate carrying value of groups of insurance contracts.

Life insurance

The dynamics of the development of losses for the reserve of occurred but not reported losses and the reserve of declared but not settled losses is presented as follows:

	2016	2017	2018	2019	2020	2021	2022	2023
Gross liability for unpaid claims and claim expenses	**10,352**	**12,679**	**15,411**	**19,963**	**22,803**	**26,176**	**28,909**	**43,019**
Reinsurance amount to be reimbursed	(6,163)	(6,712)	(7,445)	(8,532)	(8,947)	(8,412)	(3,052)	(4,285)
Net liability for unpaid claims and claim expenses	**4,189**	**5,967**	**7,966**	**11,431**	**13,856**	**17,764**	**25,857**	**38,734**
Loss reserve as of:	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	2,729	**5,081**	**2,786**	**2,589**	**3,097**	**3,969**	**6,811**	**17,024**

Gross loss reserve at the end of the year for insured events that occurred in the corresponding year:

Year of incident	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
after one year	2,729	5,081	2,786	2,589	3,097	3,969	6,811	17,024
after two years	1,316	2,562	3,942	3,157	3,039	4,777	8,106	-
after three years	1,982	2,844	3,682	3,097	3,125	5,316	-	-
after four years	2,204	2,629	3,330	2,853	1,722	-	-	-
after five years	1,887	2,456	2,812	1,647	-	-	-	-
after six years	1,859	1,980	1,712	-	-	-	-	-
after seven years	1,385	1,209	-	-	-	-	-	-
after eight years	810	-	-	-	-	-	-	-
Current assessment of losses incurred on an accrual basis	**1,859**	**2,456**	**3,330**	**3,097**	**3,039**	**3,969**	**6,811**	**17,024**

(Millions of Kazakhstani Tenge)

Insurance payments (with cumulative total) for:

	2016	2017	2018	2019	2020	2021	2022	2023
after one year	439	622	342	551	535	846	2,348	1,556
after two years	1,193	1,175	1,144	1,174	1,224	2,614	3,181	-
after three years	1,354	1,390	1,405	1,499	1,358	2,807	-	-
after four years	1,498	1,533	1,678	1,723	1,523	-	-	-
after five years	1,672	1,731	1,872	1,884	-	-	-	-
after six years	1,795	1,915	2,070	-	-	-	-	-
after seven years	2,088	2,161	-	-	-	-	-	-
after eight years	2,270	-	-	-	-	-	-	-
Cumulative payments to date	**2,270**	**2,161**	**2,070**	**1,884**	**1,523**	**2,807**	**3,181**	**1,556**
Excess/deficit of loss reserve (accumulated):	(1,400)	464	(2,614)	(2,393)	(1,464)	(2,807)	(3,181)	(1,556)
% of excess/deficit from the initial gross loss reserve	(51.32%)	9.14%	(93.85%)	(92.42%)	(47.28%)	(70.73%)	(46.70%)	(9.14%)

(Millions of Kazakhstani Tenge)

The net amount of the reserve for outstanding losses under insurance contracts for 2020 is presented as follows:

	2016	2017	2018	2019	2020	2021	2022	2023
after one year	1,408	2,241	2,175	2,238	2,990	3,842	7,070	14,205
after two years	1,319	1,709	2,879	2,766	3,029	4,661	8,387	-
after three years	1,418	1,917	2,589	2,812	3,183	4,828	-	-
after four years	1,631	1,736	2,400	2,715	1,715	-	-	-
after five years	1,351	1,664	2,348	1,548	-	-	-	-
after six years	1,325	1,644	1,375	-	-	-	-	-
after seven years	1,167	993	-	-	-	-	-	-
after eight years	641	-	-	-	-	-	-	-
Current assessment of losses incurred on an accrual basis	1,325	1,664	2,400	2,812	3,029	3,842	7,070	14,205

	2016	2017	2018	2019	2020	2021	2022	2023
after one year	313	402	231	480	532	828	2,326	1,555
after two years	872	793	877	1,045	1,168	2,579	3,155	-
after three years	994	954	1,068	1,358	1,301	2,765	-	-
after four years	1,103	1,035	1,279	1,560	1,462	-	-	-
after five years	1,245	1,152	1,417	1,705	-	-	-	-
after six years	1,340	1,295	1,600	-	-	-	-	-
after seven years	1,609	1,497	-	-	-	-	-	-
after eight years	1,779	-	-	-	-	-	-	-
Cumulative payments to date	**1,779**	**1,497**	**1,600**	**1,705**	**1,462**	**2,765**	**3,155**	**1,555**
Excess/deficit of loss reserve (accumulated):	(1,696)	(921)	(1,825)	(2,279)	(1,502)	(2,765)	(3,155)	(1,555)
% of excess/ deficit from the initial gross loss reserve	(120.45%)	(41.12%)	(83.90%)	(101.84%)	(50.22%)	(71.99%)	(44.62%)	(10.95%)

(Millions of Kazakhstani Tenge)

The table below summarizes actual claims compared to historical estimates of undiscounted claims. The Group discloses the gross and net amounts of claims arising during the 10 years prior to the reporting period. The Group reconciles the liabilities for incurred claims presented in the table with the aggregate carrying value of groups of insurance contracts.

Gross amount of claims

	2016	2017	2018	2019	2020	2021	2022	Total
Estimates of undiscounted gross claims								
End of the year of the insured event	3,485	27,536	4,214	7,390	13,138	8,797	12,763	-
after one year	1,289	1,908	1,202	2,297	2,948	3,291	-	-
after two years	1,909	1,156	723	1,042	2,137	-	-	-
after three years	2,376	288	171	285	-	-	-	-
after four years	239	306	48	-	-	-	-	-
after five years	262	239	-	-	-	-	-	-
	1,541	91,785	5,278	3,765	10,445	9,484	-	122,297
Cumulative gross amount of claims paid	**1,803**	**92,023**	**5,326**	**4,050**	**12,582**	**12,775**	**12,763**	**141,322**
Gross liability for the period of the insured event from 2014 to 2023.	-	-	-	-	-	-	-	**18,991**
Gross amount of liabilities for the years preceding the insured event	-	-	-	-	-	-	-	**1,556**
Discounting effect	-	-	-	-	-	-	-	**17,435**
Gross liability for claims incurred								
Estimates of undiscounted gross claims								**2016**
End of the year of the insured event	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
after one year								
after two years	2,029	2,591	2,972	3,534	5,302	6,431	9,637	-
after three years	819	683	29	807	1,271	2,743	-	-
after four years	839	571	637	681	973	-	-	-
after five years	138	260	142	130	-	-	-	-
	239	306	48	-	-	-	-	-
Cumulative gross amount of claims paid	262	239	-	-	-	-	-	-
Gross liability for the period of the insured event from 2014 to 2023.	1,146	2,167	2,148	2,992	5,306	6,906	-	20,665
Gross amount of liabilities for the years preceding the insured event	**1,408**	**2,406**	**2,196**	**3,122**	**6,279**	**9,649**	**9,637**	**34,697**
Discounting effect	-	-	-	-	-	-	-	**12,997**
Gross liability for claims incurred	-	-	-	-	-	-	-	**1,556**
Estimates of undiscounted gross claims	-	-	-	-	-	-	-	**11,440**

(Millions of Kazakhstani Tenge)

Maturity analysis for portfolios of insurance contracts issued and reinsurance contracts held that represent liabilities

The following disclosure notes do not include all of the information required by IFRS 7. To better understand the specific disclosures required by IFRS 17, some of the disclosures required by IFRS 7 regarding financial issues. tools. IFRS 17:132(b) provides entities with a choice of how to provide a timing analysis of a) the estimated timing of the remaining undiscounted net contractual cash flows; or b) by the estimated timing of the estimates, taking into account the value of future reimbursement flows.

The following table discloses information only in relation to insurance products, which have material long-term component.

31 December 2023	**Book value**	**Less than a year**	**1-5 years**	**5-10 years**	**10-20 years**	**More than 20 years**
Pension annuities	51,310	30,949	9,645	5,257	3,836	1,624
Halyk Kazyna	15,112	3,712	9,859	662	880	-
Total	**66,422**	**34,661**	**19,504**	**5,919**	**4,716**	**1,624**

31 December 2022	**Book value**	**Less than a year**	**1-5 years**	**5-10 years**	**10-20 years**	**More than 20 years**
Pension annuities	58,923	35,364	11,550	6,301	3,419	2,289
Halyk Kazyna	11,271	2,722	7,685	443	421	-
Total	**70,194**	**38,086**	**19,235**	**6,744**	**3,840**	**2,289**

(Millions of Kazakhstani Tenge)

17. Other assets

Other assets include:

	31 December 2023	31 December 2022
Other financial assets:		
Banking debtors	75,693	72,982
Finance lease receivables	17,273	16,435
Debtors for non-banking activities	13,115	16,456
Accrued commission income	7,207	5,700
Other	134	55
	113,422	**111,628**
Less – Allowance for expected credit losses	(31,656)	(33,442)
Total financial assets	**81,766**	**78,186**
Other non-financial assets:		
Investments in associated organizations	51,464	42,005
Prepaid taxes, excluding income tax	9,204	7,425
Prepayment for property, plant and equipment	8,042	5,811
Inventory	7,725	5,066
Other investments	3,874	1,287
Goodwill	3,055	3,085
Precious metals	2,253	2,046
Prepayment for investment property	2,737	15,347
Other	3,542	2,136
Total non-financial assets	**91,896**	**84,208**
Total other assets	**173,662**	**162,394**

As at 31 December 2023, investments in associated organizations include investments in JSC Altyn Bank (SB of China CITIC Bank Corporation Ltd.) in the amount of KZT 51,195 million and Open Travel Networks Ltd in the amount of KZT 269 million (31 December 2022 – KZT 42,005 million and nil, respectively).

(Millions of Kazakhstani Tenge)

Finance lease receivables include:

	31 December 2023	31 December 2022
Amounts receivable under finance leases:		
Year 1	6,063	5,656
Year 2	4,967	4,762
Year 3	4,212	3,655
Year 4	3,395	2,868
Year 5	2,527	2,129
Onwards	6,542	4,827
Undiscounted lease payments	27,706	23,897
Less: unearned financial income	(10,433)	(7,461)
Present value of lease payments receivable	**17,273**	**16,435**
Impairment loss allowance	(1,024)	(1,644)
Net investment in lease	**16,250**	**14,792**
Net investment in the lease analysed as:		
Recoverable after 12 months	4,029	3,869
Recoverable within 12 months	12,220	10,923
Net investment in lease	**16,250**	**14,792**

Movements in accumulated provisions for expected credit losses on other assets are as follows:

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**(1,043)**	**(580)**	**(31,819)**	**(33,442)**
Transfer to Stage 1	(8)	-	8	-
Transfer to Stage 2	-	(560)	560	-
Transfer to Stage 3	36	20	(56)	-
Changes in risk parameters*	394	1,114	(1,688)	(180)
Recoveries of allowances on previously written-off assets	-	-	(160)	(160)
Write-offs	-	-	547	547
Foreign exchange differences and other movements	37	-	1,542	1,579
At the end of the period	**(584)**	**(6)**	**(31,066)**	**(31,656)**

(Millions of Kazakhstani Tenge)

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**(2,969)**	**-**	**(16,627)**	**(19,596)**
Transfer to Stage 2	12	(243)	231	-
Transfer to Stage 3	641	-	(641)	-
Changes in risk parameters*	1,258	(337)	(19,264)	(18,343)
Recoveries of allowances on previously written-off asse	-	-	(167)	(167)
Write-offs	-	-	2,269	2,269
Disposals of subsidiaries	8	-	1,742	1,750
Foreign exchange differences and other movements	7	-	638	645
At the end of the period	**(1,043)**	**(580)**	**(31,819)**	**(33,442)**

* The item "Expected credit loss expense" in the consolidated income statement consists of the following items: "Changes in risk parameters", "New issues or acquisitions of financial assets" and "Derecognition of financial assets".

Below is a reconciliation of gross book value at the beginning and end of the year:

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**44,761**	**572**	**66,295**	**111,628**
Transfer to Stage 1	2,194	561	(2,755)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(3,222)	(7)	3,229	-
Changes in risk parameters*	(19,736)	(1,092)	26,874	6,046
Write-offs	-	-	(3,662)	(3,662)
Foreign exchange differences and other movements	(552)	-	(38)	(590)
At the end of the period	**23,445**	**34**	**89,943**	**113,422**

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	**51,230**	**263**	**39,336**	**90,829**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(455)	686	(231)	-
Transfer to Stage 3	(21,702)	-	21,702	-
Changes in risk parameters*	15,722	(377)	8,467	23,812
Write-offs	-	-	(2,272)	(2,272)
Foreign exchange differences and other movements	(34)	-	(707)	(741)
At the end of the period	**44,761**	**572**	**66,295**	**111,628**

(Millions of Kazakhstani Tenge)

18. Amounts due to customers

Amounts due to customers include the following:

	31 December 2023	31 December 2022
Recorded at amortised cost:		
Term deposits:		
Individuals	4,808,592	4,351,846
Legal entities	3,338,099	2,898,924
	8,146,691	**7,250,770**
Current accounts:		
Legal entities	1,762,760	2,369,360
Individuals	1,020,053	891,918
	2,782,813	**3,261,278**
Total amount due to customers	**10,929,504**	**10,512,048**

As at 31 December 2023, the Group's ten largest groups of related customers accounted for approximately 11% of the total amounts due to customers (31 December 2022 – 17%), where each group of related customers represents customers related to each other within that group.

As at 31 December 2023, amounts due to customers included amounts held as collateral of KZT 171,838 million (31 December 2022 – KZT 177,501 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2023	%	31 December 2022	%
Individuals and entrepreneurs	5,828,645	54%	5,243,764	50%
Wholesale trade	842,830	8%	679,740	6%
Other consumer services	679,724	6%	777,500	7%
Construction	557,885	5%	299,500	3%
Oil and gas	454,390	4%	808,762	8%
Transportation	404,404	4%	417,556	4%
Financial sector	457,576	4%	658,374	6%
Metallurgy	357,750	3%	210,530	2%
Healthcare and social services	262,791	2%	235,717	2%
Education	161,137	1%	111,330	1%
Communication	131,413	1%	262,722	3%
Government and state-controlled companies	103,978	1%	191,126	2%
Energy	106,071	1%	73,334	1%
Insurance and pension funds activity	97,300	1%	106,773	1%
Other	483,610	4%	435,360	4%
	10,929,504	**100%**	**10,512,048**	**100%**

(Millions of Kazakhstani Tenge)

19. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2023	31 December 2022
Recorded at amortised cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	285,349	529,743
Loans and deposits from OECD based banks	143,511	14,006
Loans from JSC Entrepreneurship Development Fund DAMU	84,991	83,356
Loans from JSC Development Bank of Kazakhstan	80,873	80,071
Loans and deposits from non-OECD based banks	64,404	64,631
Correspondent accounts	60,205	74,496
Loans from JSC Agrarian Credit Corporation	27,923	9,730
Loans from JSC Industrial Development Fund	22,637	22,632
Loans from JSC “National Managing Holding “KazAgro”	6,890	-
Loans from other financial institutions	1,528	-
	778,311	**878,665**

As at 31 December 2023, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included long-term loans of KZT 82,904 million at a 1.0% - 4.5% interest rate maturing in 2022 – 2035 with an early recall option (31 December 2022 – KZT 80,686 million). These loans were received in accordance with the Government program (“the Program”) to finance small and medium enterprises (“SME”) operating in certain industries. According to the loan agreements between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 5.0% interest rate.

As at 31 December 2023, the Group entered into an agreement with DAMU to provide a credit line for financing leasing transactions of small and medium-sized businesses in the amount of KZT 1,665 million with maturity until 2028. Under the terms of the loan agreement, loans are issued at a rate of 13%, provided that the Group obtains sufficient collateral.

As at 31 December 2023, loans from JSC Development Bank of Kazakhstan (“DBK”) included long-term loans of KZT 36,844 million (31 December 2022 – KZT 36,045 million) at a 2.0% interest rate maturing in 2029 – 2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 43,796 million (31 December 2022 – KZT 43,796 million) at a 1.0% interest rate maturing in 2035, to finance the purchase of cars by the Group’s retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

As at 31 December 2023, loans from JSC Industrial Development Fund (“IDF”) included long-term loans of of KZT 22,500 million at 1.0% interest rate maturing in 2052 to finance the purchase of domestically produced vehicles by the Group’s retail customers. According to the loan agreement between the IDF and the Group, the Group is responsible for providing loans to retail business borrowers at a rate of 4.0% with a maturity of no more than 7 years.

(Millions of Kazakhstani Tenge)

As at 31 December 2023, loans from JSC Agrarian Credit Corporation under the “Ken-Dala” program included long-term loans in the amount of KZT 2,777 million (31 December 2022 – KZT 9,668 million) at 1.5%-5% interest rate with a repayment period until 18 November 2025. Loans must be used for subsequent lending to subjects of the agro-industrial complex at 4%-5% interest rate for the final borrower, with a loan period until 1 November 2025. According to the loan agreements between JSC Agrarian Credit Corporation and the Group, loans are provided to replenish working capital for spring field and harvesting work.

The management of the Group believes that there are no other similar financial instruments and, due to their special nature, these loans from DAMU, DBK, JSC Agrarian Credit Corporation and IDF represent separate segments in the lending market for agricultural entities, SME and retail lending. As a result, the loans from DAMU, DBK, JSC Agrarian Credit Corporation and IDF were received as part of an orderly transaction and, as such, were recorded at fair value at the date of recognition, which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2023		31 December 2022	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, Year**
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	4.0%-17.0%	2024-2026	11.5%-17.8%	2023-2026
Loans and deposits from OECD based banks	6.0%-6.8%	2024-2025	14.5%	2023
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-13.0%	2024-2035	1.0%-10.0%	2023-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans and deposits from non-OECD based banks	3.0%-25.0%	2024-2027	1.0%-14.5%	2023-2027
Loans from JSC Industrial Development Fund	1.0%	2052	1.0%	2052
Loans from JSC Agrarian Credit Corporation	1.5%-5.0%	2024-2025	1.5%	2024
Loans from JSC “National Managing Holding “KazAgro”	14.8%	2024	-	-
Loans from other financial institutions	15.0%	2024	-	-

(Millions of Kazakhstani Tenge)

The fair value of assets pledged (Note 7, 9 and 10) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2023 and 2022, are as follows:

	31 December 2023		31 December 2022	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Debt securities at amortised cost, net of allowance for expected	269,231	268,663	505,588	502,620
Financial assets at fair value through profit or loss	12,110	12,098	18,943	19,129
Financial assets at fair value through other comprehensive income	188,100	147,042	6,609	6,668
	469,442	**427,803**	**531,140**	**528,417**

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2023 and 2022 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not amortized them. In addition, it amortizes a financial liability for cash received as collateral.

	Debt securities at amortised cost, net of allowances for expected credit loss (Note 10)	Financial assets at fair value at value through profit or loss (Note 7)	Financial assets at fair value through other comprehensive income (Note 9)
As at 31 December 2023:			
Carrying amount of transferred assets	269,231	12,110	188,100
Carrying amount of associated liabilities	268,663	12,098	147,042
As at 31 December 2022:			
Carrying amount of transferred assets	505,588	18,943	6,609
Carrying amount of associated liabilities	502,620	19,129	6,668

Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2023 and 2022, the Group was in compliance with the covenants.

(Millions of Kazakhstani Tenge)

20. Debt securities issued

Debt securities issued comprise:

	31 December 2023	31 December 2022
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	94,246	90,341
Total subordinated debt securities outstanding	**94,246**	**90,341**
Unsubordinated debt securities issued:		
KZT denominated bonds	234,344	232,597
USD denominated bonds	324,803	139,879
Total unsubordinated debt securities outstanding	**559,147**	**372,476**
Total debt securities outstanding	**653,393**	**462,817**

On 6 February 2023 the Group repurchased bonds listed on AIX in the amount of USD 100 million with a coupon rate of 2.5%, issued on 1 June 2022.

On 17 May 2023 the Group issued bonds listed on AIX in the total amount of USD 200 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 185.5 million were placed.

On 29 May 2023 the Group issued bonds listed on AIX in the total amount of USD 300 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 300 million were placed.
On 3 July 2023 the Group issued bonds listed on AIX in the total amount of USD 500 million with a coupon rate of 3.5%, of which as of 31 December 2023 USD 221.7 million were placed.

The coupon rates and maturities of these debt securities issued are as follows:

	31 December 2023		31 December 2022	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:				
KZT denominated bonds	7.5%	2024-2025	7.5%	2024-2025
USD denominated bonds	3.5%-4.0%	2025	2.5%-4.0%	2025

As at 31 December 2023, accrued interest on debt securities issued was KZT 9,003 million (as at 31 December 2022 – KZT 6,994 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

(Millions of Kazakhstani Tenge)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

		Cash changes		Non-cash changes		
	1 January 2023	**Issuance of the debt securities**	**Redemption and repayment of debt securities**	**Foreign exchange movement**	**Changes in amortised cost**	**31 December 2023**
Debt securities issued	462,817	325,696	(140,705)	(2,157)	7,742	653,393

		Cash changes		Non-cash changes		
	1 January 2022	**Issuance of the debt securities**	**Redemption and repayment of debt securities**	**Foreign exchange movement**	**Changes in amortised cost**	**31 December 2022**
Debt securities issued	499,812	127,886	(177,600)	15,649	(2,930)	462,817

21. Taxation

The Bank and its subsidiaries are subject to taxation in accordance with the tax law of the country where the Group operates.

The income tax expense comprises:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Current income tax expense	136,577	105,834
Deferred income tax benefit	(15,239)	(116)
Total income tax expense	**121,338**	**105,718**

Deferred income tax expense/(benefit) relating to temporary differences is as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Fair value of derivatives and financial assets at fair value through other comprehensive income	2,871	(555)
Property and equipment, accrued depreciation	687	675
Loans to customers, allowance for expected credit losses	157	1,109
Deferred tax liability on financial instruments	4,982	622
Deferred tax liability on deposits held at JSC "Fund of Problem Loans"	(22,299)	(1,676)
Other	(1,637)	(291)
Deferred income tax benefit recognized in profit or loss	**(15,239)**	**(116)**

(Millions of Kazakhstani Tenge)

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2023 and 2022. Income on state and other qualifying securities is tax exempt.

During the year ended 31 December 2023 the tax rates in Georgia and the Republic of Uzbekistan are 15% and 20%, respectively (31 December 2022 – in the Republic of Kyrgyzstan, Georgia and the Republic of Uzbekistan were 10%, 15% and 20%, respectively).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2023	**Year ended 31 December 2022**
Income before income tax expense	814,774	675,197
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	162,955	135,039
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(42,221)	(39,673)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(322)	(588)
Non-deductible expenditures:		
- other provisions	1,732	7,280
- loss from disposal of subsidiary	-	3,848
- general and administrative expenses	449	759
Other	(1,255)	(947)
Income tax expense	**121,338**	**105,718**

Deferred tax assets and liabilities comprise:

	31 December 2023	**31 December 2022**
Tax effect of deductible temporary differences:		
Bonuses accrued	6,387	4,853
Fair value of derivatives	871	1,650
Vacation pay accrual	860	688
Other	32	142
Deferred tax asset	8,150	7,333
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(16,421)	(38,721)
Property and equipment, accrued depreciation	(19,719)	(19,284)
Allowance for loans to customers	(1,314)	(1,406)
Fair value of derivatives, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss	(30,608)	(21,803)
Disposal of subsidiaries	447	-
Other	17	7
Deferred tax liability	(67,598)	(81,207)
Net deferred tax liability	**(59,448)**	**(73,874)**

(Millions of Kazakhstani Tenge)

Current income tax assets and liabilities comprise:

	31 December 2023	31 December 2022
Current income tax refund receivable	7,956	1,521
Current income tax payable	(946)	(12,358)
Current income tax asset/(liability)	**7,010**	**(10,837)**

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2023	31 December 2022
Deferred tax asset	351	273
Deferred tax liability	(59,799)	(74,147)
Net deferred tax liability	**(59,448)**	**(73,874)**

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implemented regulations are often unclear or nonexistent and few precedents have 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 (for example, 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 substantially more significant tax risks in Kazakhstan than typically found in countries with more developed tax systems.

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

In Kazakhstan, tax years remain open for review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

(Millions of Kazakhstani Tenge)

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

Movements in net deferred tax liability:

	31 December 2023	31 December 2022
Net deferred tax liability at the beginning of the year	73,874	71,150
Deferred tax benefit recognized in profit or loss	(15,239)	(116)
Deferred tax expense recognized in other comprehensive income	813	2,840
Net deferred tax liability at the end of the year	**59,448**	**73,874**

22. Other liabilities

Other liabilities include:

	31 December 2023	31 December 2022
Liabilities from continuing involvement	104,921	95,346
Banking creditors	52,130	28,521
Accrual for settlements with employees, bonuses and vacations	35,110	27,380
Lenders for non-banking activities	16,332	7,648
Other advances received	13,597	11,409
Tax debts other than income tax	8,416	12,021
Lease liabilities	4,965	5,205
Commercial Real Estate Lenders	3,838	2,092
General and administrative expenses payable	2,641	2,695
Other	806	1,088
Total other liabilities	**242,756**	**193,405**

The liability from continuing involvement represents obligations towards JSC Kazakhstan Sustainability Fund (hereinafter referred to as the “Operator”) associated with the state mortgage program “7-20-25” and other programs. In accordance with the terms of this program, the Bank provides mortgage loans to borrowers and transfers the rights of claim on the loans to the Program Operator. In accordance with the program and the trust management agreement, the Bank carries out trust management of the transferred mortgage loans. At the same time, the Bank is obliged to redeem the rights of claim on the transferred mortgage loans if there is a delay in the principal debt and interest on loans for more than 90 calendar days. The repurchase is carried out at the nominal value of the loan on the date of purchase.

The Bank has determined that It has no transferred or retained all the risks and rewards of ownership of these assets, in particular credit risk, but has retained control of the transferred assets and continues to recognize loans to the extent of its continuing involvement in them. The extent of the continuing involvement is limited to the maximum amount of consideration received that the Bank may be required to repay because the Banks continuing involvement takes the form of a guarantee over the transferred asset. Because the Bank continues to recognize an asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes an associated liability.

23. Equity

The number of shares authorized, issued and fully paid as at 31 December 2023 and 2022, were as follows:

	Share capital authorised	Share authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2023:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,545,373,191)	10,902,171,591
31 December 2022:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,563,676,403)	10,883,868,379

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount (millions of KZT) Common
31 December 2021	**10,896,004,850**	**(50,295)**
Purchases common shares		
Purchase of treasury shares	(52,653,439)	(6,044)
Sale of treasury shares	40,516,968	4,831
31 December 2022	**10,883,868,379**	**(51,508)**
Purchases of treasury shares	(10,653,349)	(1,509)
Sale of treasury shares	28,956,561	3,530
31 December 2023	**10,902,171,591**	**(49,487)**

Common shares

As at 31 December 2023 and 2022, share capital comprised KZT 209,027 million.
As at 31 December 2023, the Group held 2,545,373,191 shares of the Group's common shares as treasury shares for KZT 258,514 million (31 December 2022 – 2,563,676,403 for KZT 260,535 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

Dividends paid for the previous financial years were as follows:

	Paid in 2023 for the year ended 31 December 2022	Paid in 2022 for the year ended 31 December 2021
Dividends declared during the period	276,524	138,341
Dividend paid per one common share	25.38	12.71

(Millions of Kazakhstani Tenge)

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

24. Financial commitments and contingencies

The Group's financial commitments and contingencies comprise the following:

	31 December 2023	31 December 2022
Guarantees issued	820,260	603,028
Commercial letters of credit	120,497	94,192
Commitments to extend credit	65,207	69,122
Financial commitments and contingencies	1,005,964	766,342
Less: cash collateral against letters of credit	(45,279)	(63,730)
Less: provisions	(11,695)	(13,773)
Financial commitments and contingencies, net	**948,990**	**688,839**

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 31 December 2023, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 46% of the Group's total financial guarantees (31 December 2022 – 45%) and represented 16% of the Group's total equity (31 December 2022 – 14%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 31 December 2023, the ten largest unsecured letters of credit accounted for 57% of the Group's total commercial letters of credit (31 December 2022 – 31%) and represented 3% of the Group's total equity (31 December 2022 – 1%).

The Group requires collateral to support credit-related financial instruments, when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through a review of the credit risk of the borrower or an analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held with banks, government securities and other assets.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

(Millions of Kazakhstani Tenge)

The movements in provisions were as follows:

				31 December 2023
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(9)	(6,714)	(7,050)	(13,773)
Transfer to Stage 1	(5,208)	(3)	5,211	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	2,439	-	(2,439)	-
(Additional provisions recognized)/recoveries	931	3,287	(2,588)	1,630
Disposal of subsidiaries	69	-	-	69
Foreign exchange differences	1	213	165	379
At the end of the year	**(1,776)**	**(3,218)**	**(6,701)**	**(11,695)**

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(306)	(6,433)	(6,454)	(13,193)
Transfer to Stage 2	3	(7)	4	-
Transfer to Stage 3	3,156	25	(3,181)	-
(Additional provisions recognized)/recoveries	(3,346)	446	2,978	78
Disposal of subsidiaries	176	-	403	579
Foreign exchange differences	308	(745)	(800)	(1,237)
At the end of the year	**(9)**	**(6,714)**	**(7,050)**	**(13,773)**

Capital commitments

As at 31 December 2023, the Group had capital expenditures commitments in respect of construction in progress for KZT 35,790 million, of which the amount of KZT 33,871 million refers to the construction of the Bank’s administrative building in Astana (31 December 2022 – KZT 1,595 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 December 2023 and 2022.

(Millions of Kazakhstani Tenge)

25. Net interest income

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income:		
Loans to customers	1,349,836	983,419
- Corporate business	599,633	*435,286*
- Retail business	527,606	*402,568*
- SME business	222,597	*145,565*
Financial assets at fair value through other comprehensive income	155,145	97,309
Debt securities at amortised cost, net of allowance for expected credit losses	66,175	91,388
Amounts due from credit institutions and cash and cash equivalents	49,319	41,026
Other financial assets	6,543	7,501
Interest income calculated using effective interest method	**1,627,018**	**1,220,643**
Financial assets at fair value through profit or loss	42,764	27,005
Other interest income	**42,764**	**27,005**
Total interest income	**1,669,782**	**1,247,648**
Interest expense:		
Amounts due to customers	(771,460)	(477,839)
- Individuals	*(361,449)*	*(227,747)*
- Legal entities	*(410,011)*	*(250,092)*
Amounts due to credit institutions	(46,723)	(63,982)
Debt securities issued	(40,284)	(35,317)
Other financial liabilities	(708)	(827)
Other interest and similar expense	(110)	(217)
Total interest expense	**(859,285)**	**(578,182)**
Net interest income before credit loss expense	**810,497**	**669,466**

Other interest and similar expense include loss on initial recognition of long-term financial accounts receivable.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 1,471,873 million for the year ended 31 December 2023
(31 December 2022: KZT 1,123,334 million).

26. Fees and commissions

Fee and commission income is derived from the following sources:

	Year ended 31 December 2023	Year ended 31 December 2022
Transactional income of individuals	139,948	129,232
Transactional income of legal entities	44,403	38,343
Letters of credit and guarantees issued	20,036	13,863
Other	9,016	10,849
Loyalty program	(13,343)	(12,221)
Total fee and commission income	**200,060**	**180,066**

(Millions of Kazakhstani Tenge)

Fee and commission expense is derived from the following sources:

	Year ended 31 December 2023	Year ended 31 December 2022
Transactional expense of individuals	(76,518)	(78,983)
Transactional expense of legal entities	(5,304)	(7,420)
Deposit insurance	(13,357)	(6,265)
Other	(4,525)	(3,431)
Total fee and commission expense	**(99,704)**	**(96,099)**

Transactional income of individuals and legal entities includes fee and commission income derived from bank transfers on settlements and salary projects, maintenance of customer accounts and plastic card operations, cash operations and servicing customers' pension payments.

Transactional expense of individuals and legal entities includes fee and commission expense derived from payment cards, bank transfers and cash operations.

27. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:		
Realized net gain on derivative operations	28,831	12,798
Net gain/(loss) on trading operations	34,255	(10,262)
Unrealized net gain/(loss) on derivative operations	9,508	(3,061)
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	**72,594**	**(525)**

28. Net foreign exchange gain

Net foreign exchange gain comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Dealing, net	107,271	172,982
Translation differences, net	(17,157)	4,911
Total net foreign exchange gain	**90,114**	**177,893**

(Millions of Kazakhstani Tenge)

29. Insurance revenue/(insurance service expense)

The following tables illustrate an analysis of insurance revenue recognized during this period:

	Year ended 31 December 2023										
	Employer Liability Annuities	Pension annuities	Endowment insurance	Term life insurance	Short-term contracts	Health insurance	Mandatory liability insurance for vehicle owners	Property insurance	Motor transport and liability insurance	Other	Total
Insurance revenue	2,441	645	256	1,507	84,165	10,535	11,420	62,711	12,348	26,454	212,482
Release of risk adjustment	69	537	2,732	201	-	-	-	-	-	-	3,539
Margin amortization	565	5,652	2,807	129	-	-	-	-	-	-	9,153
Depreciation of acquisition costs	10	734	1,188	12,083	-	-	-	-	-	-	14,015
Total insurance revenue	**3,085**	**7,568**	**6,983**	**13,920**	**84,165**	**10,535**	**11,420**	**62,711**	**12,348**	**26,454**	**239,189**

	Year ended 31 December 2022										
	Employer Liability Annuities	Pension annuities	Endowment insurance	Term life insurance	Short-term contracts	Health insurance	Mandatory liability insurance for vehicle owners	Property insurance	Motor transport and liability insurance	Other	Total
Insurance revenue	1,946	752	1,736	1,420	63,244	6,207	16,506	46,463	8,363	20,784	167,421
Release of risk adjustment	83	750	2,799	218	-	-	-	-	-	-	3,850
Margin amortization	479	5,158	1,166	99	-	-	-	-	-	-	6,902
Depreciation of acquisition costs	9	366	829	15,499	-	-	-	-	-	-	16,703
Total insurance revenue	**2,517**	**7,026**	**6,530**	**17,236**	**63,244**	**6,207**	**16,506**	**46,463**	**8,363**	**20,784**	**194,876**

(Millions of Kazakhstani Tenge)

											Year ended 31 December 2023
	Employer Liability Annuities	**Pension annuities**	**Endowment insurance**	**Term life insurance**	**Short-term contracts**	**Health insurance**	**Mandatory liability insurance for vehicle owners**	**Property insurance**	**Motor transport and liability insurance**	**Other**	**Total**
Costs for insurance services:											
incurred insurance losses and other incurred costs for insurance services	(7,923)	(5,250)	886	(3,020)	(4,654)	(10,901)	(7,335)	(5,647)	(8,251)	(3,994)	(56,089)
amortization of acquisition cash flows	(9)	(366)	(829)	(15,485)	(27,719)	(646)	(4,395)	(1,656)	(3,755)	(3,355)	(58,215)
changes that are attributed to past periods	-	-	-	-	(1,746)	(142)	600	(10,245)	(474)	(370)	(12,377)
Losses under groups of onerous contracts and restoration of such losses	(2)	-	(881)	(494)	-	-	159	-	(585)	-	(1,803)
Total expenses for insurance services taken into account in the assessment of liabilities	**(7,934)**	**(5,616)**	**(824)**	**(18,999)**	**(34,119)**	**(11,689)**	**(10,971)**	**(17,548)**	**(13,065)**	**(7,719)**	**(128,484)**
Net expenses/(income) under recourse claim											(29)
Income received under recourse claim											729
Acquisition expenses											(6,524)
Expenses for settlement of insurance losses											99
Expenses associated with insurance (reinsurance) activities											2,362
Total expenses for insurance services											**(131,847)**

(Millions of Kazakhstani Tenge)

Year ended 31 December 2022

	Employer Liability Annuities	Pension annuities	Endowment insurance	Term life insurance	Short-term contracts	Health insurance	Mandatory liability insurance for vehicle owners	Property insurance	Motor transport and liability insurance	Other	Total
Costs for insurance services:											
incurred insurance losses and other incurred costs for insurance services	(3,537)	(3,457)	(5,415)	(4,847)	(24,816)	(8,189)	(10,288)	(2,076)	(6,393)	(2,940)	(71,958)
amortization of acquisition cash flows	(10)	(734)	(1,188)	(12,083)	(11,329)	(468)	(8,497)	(929)	(2,131)	(3,902)	(41,271)
changes that are attributed to past periods	-	-	(907)	(669)	(3,421)	(412)	(699)	(2,888)	(279)	11,797	2,522
Losses under groups of onerous contracts and restoration of such losses	(2)	-	(144)	(805)	-	-	1,646	-	(854)	-	(159)
Total expenses for insurance services taken into account in the assessment of liabilities	**(3,549)**	**(4,191)**	**(7,654)**	**(18,404)**	**(39,566)**	**(9,069)**	**(17,838)**	**(5,893)**	**(9,657)**	**4,955**	**(110,866)**
Net expenses/(income) under recourse claim											81
Income received under recourse claim											366
Acquisition expenses											(3,272)
Expenses for settlement of insurance losses											(1,256)
Expenses associated with insurance (reinsurance) activities											(1,019)
Total expenses for insurance services											**(115,966)**

(Millions of Kazakhstani Tenge)

30. Operating expenses

Operating expenses comprises:

	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and other employee benefits	126,929	108,461
Depreciation and amortization expenses	18,534	17,011
Taxes other than income tax	9,772	11,335
Information services	7,905	6,856
Communication	6,419	6,621
Advertisement	5,504	4,226
Repair and maintenance	5,297	3,895
Security	5,438	6,174
Utilities expenses	4,721	4,625
Charity*	4,547	6,542
Rent	3,151	2,903
Stationery and office supplies	3,066	2,566
Professional services	1,663	1,717
Other	13,942	10,086
Total operating expenses	**216,888**	**193,018**

*In response to the economic implications of January 2022 events, the Government has prepared initiatives designed to address the current crisis. A special charitable fund “For the People of Kazakhstan”, which is funded from private and public sources, is established to support citizens of Kazakhstan in the field of healthcare, education and provide other social support. During the year ended 31 December 2023 the Group has contributed KZT 2 billion (31 December 2022 – KZT 3 billion) to the fund, which are part of charity expenses.

31. Income on non-banking activities

	Year ended 31 December 2023	Year ended 31 December 2022
Net gain on sale of commercial property	17,864	19,659
Net gain on sale of investment property	166	235
Net gain on sale of assets classified as held for sale	1,283	1,304
Other income on non-banking activities	4,269	4,356
Income on non-banking activities	**23,582**	**25,554**

32. Earnings per share

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

(Millions of Kazakhstani Tenge)

According to Kazakhstan legislation on Joint Stock Companies, dividend payments on common shares may not exceed dividend payments on preferred shares for the same year. Therefore, net profit for the year is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2023	Year ended 31 December 2022
Basic and diluted earnings per share		
Net profit for the year attributable to equity holders of the parent	693,435	569,477
Earnings attributable to common shareholders	693,435	569,477
Weighted average number of common shares for the purposes of basic earnings per share	10,894,712,258	10,891,001,418
Basic earnings per share (in Tenge)	**63.65**	**52.29**

As required by KASE rules for listed companies, the book value of one common share as at 31 December 2023 and 2022 is disclosed as follows:

			31 December 2023
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	10,902,171,591	2,463,607	225.97
		2,463,607	

			31 December 2022
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	10,883,868,379	1,997,927	183.57
		1,997,927	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

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

33. Financial risk management

Risk management is fundamental to the Group’s banking business and is an essential element of the Group’s operations. The main risks inherent to the Group’s operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks.

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Group developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the “ICAAP”) is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Group's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Group's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Group assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Group's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Group when a borrower/counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Group maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

The risk management department directly participates in credit decision - making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure limitation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the “ALMC”). The Group sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programs (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Group monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board, Risk Committee and the Board of Directors are credit authorities responsible for the implementation of the Bank’s Credit Policy and credit decision making process.

Head Office Credit Committee (“CC”)

The primary goal of the CC is the implementation of the Bank’s Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee (“BCC”, “BNCC”)

The primary goal of the BCC and the BNCC is the implementation of the Bank’s Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank’s experts.

Retail Branch Credit Committee of the Head Office (“RCCHO”) and Decision Making Center (“DMC”)

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank’s Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorised to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business ("DMC for SB")

The main task of DMC is to consider loan applications in the small business sector in an amount not exceeding KZT 400 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorised credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorised credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee, according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximisation and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, market risk management, ensuring effective control over the activities of the Bank's executive bodies on financial risk management and determining priority areas for minimizing the Bank's risks

The ALMC is also responsible for establishing country and counterparty-bank limits. The ALMC reports to the Board of Directors.

(Millions of Kazakhstani Tenge)

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

Risk Committee

The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets, the maximum exposure equals the carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on, or in the case of commitments, if the loan amount was called on (Note 22). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2023	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash equivalents*	1,063,260	39,052
Obligatory reserves	244,866	
Financial assets at fair value through profit or loss (less equity securities)	427,415	
Amounts due from credit institutions	171,754	
Financial assets at fair value through other comprehensive income	2,416,272	
Debt securities at amortised cost, net of allowance for expected credit losses	725,343	
Loans to customers	9,284,872	7,849,080
Other financial assets	81,766	
Commitments and contingencies (less provisions)	994,269	45,279

(Millions of Kazakhstani Tenge)

	31 December 2022	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,753,870	17,152
Obligatory reserves	259,544	-
Financial assets at fair value through profit or loss (less equity securities)	290,257	-
Amounts due from credit institutions	135,655	-
Financial assets at fair value through other comprehensive income	2,100,315	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,019,089	-
Loans to customers	7,857,902	6,806,961
Other financial assets	78,186	-
Commitments and contingencies (less provisions)	752,569	63,730

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2023 and 2022, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined on the basis of increase in lifetime probability of default since initial recognition over defined thresholds for segmented homogeneous portfolios and for loans with an overdue more than 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60 - 90 days, for loans assessed on an individual basis - over 60 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Group considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only. The Group considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%.

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating "base case" and "downside" scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(Millions of Kazakhstani Tenge)

When applying these stress factors, the results of stress testing performed at the end of 2023 show a slight decrease in certain financial indicators of the Group (growth in provisions for expected credit losses, decrease in net profit and outflow of customer accounts).

At the same time, given that, the Group has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Group and violation of regulatory requirements and norms are not predicted.

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the “downside” scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the “base case” scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2023 and 2022 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

	31 December 2023		**31 December 2022**	
List of macro variables used	**Definition**	**Range**	**Definition**	**Range**
Real GDP growth	% change	Between 2.8% and 4.5%	% change	Between 1.6% and 3.2%
Inflation	Inflation %	Between 10.3% and 12.5%	Inflation %	Between 14.3% and 16.0%
Oil price (USD/bbl)	Price per barrel	Between USD 60 and USD 80	Price per barrel	Between USD 60 and USD 80

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group’s internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

(Millions of Kazakhstani Tenge)

The following table details the credit ratings of financial assets held by the Group (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2023 Total
Cash equivalents*	236,673	102,015	69,592	585,630	54,055	15,331	1,063,296
Obligatory reserves	-	-	-	234,054	10,812	-	244,866
Financial assets at fair value through profit or loss	42,588	102,429	57,943	263,602	107,364	15,436	589,362
Amounts due from credit institutions	5,666	26,343	52,898	37,701	33,403	16,143	172,154
Financial assets at fair value through other comprehensive income	203,639	79,983	110,517	1,962,799	68,567	397	2,425,902
Debt securities at amortised cost	-	-	-	710,267	15,732	-	725,999
Other financial assets	-	-	-	-	-	113,422	113,422
Commitments and contingencies	-	-	-	-	-	1,005,964	1,005,964

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2022 Total
Cash equivalents*	338,678	111,290	181,764	1,049,429	57,175	15,555	1,753,891
Obligatory reserves	-	-	-	234,552	24,992	-	259,544
Financial assets at fair value through profit or loss	29,028	79,714	39,346	247,191	40,838	13,814	449,931
Amounts due from credit institutions	8,624	25,466	37,215	7,369	36,486	20,840	136,000
Financial assets at fair value through other comprehensive income	312,265	66,907	92,863	1,568,149	60,087	8,998	2,109,269
Debt securities at amortised cost	-	-	-	975,153	42,570	1,716	1,019,439
Other financial assets	-	-	-	-	-	111,628	111,628
Commitments and contingencies	-	-	-	-	-	766,342	766,342

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group’s risk management policy are not breached.

(Millions of Kazakhstani Tenge)

The following table details the carrying value of assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2023 Total
Amounts due from credit institutions	169,622	(395)	-	-	2,532	(5)	**171,754**
Financial assets at fair value through other comprehensive income	2,428,108	(2,206)	-	-	-	-	**2,425,902**
Debt securities at amortised cost	723,037	(653)	-	-	2,962	(3)	**725,343**
Loans to customers	5,452,369	(30,037)	497,573	(224,425)	3,824,856	(235,464)	**9,284,872**
Other financial assets	-	-	55,559	(31,066)	57,863	(590)	**81,766**

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2022 Total
Amounts due from credit institutions	135,807	(345)	-	-	193	-	**135,655**
Financial assets at fair value through other comprehensive income	2,110,487	(1,218)	-	-	-	-	**2,109,269**
Debt securities at amortised cost	1,016,434	(347)	-	-	3,005	(3)	**1,019,089**
Loans to customers	4,740,903	(42,143)	416,995	(186,551)	3,122,392	(193,694)	**7,857,902**
Other financial assets	-	-	68,239	(31,819)	43,389	(1,623)	**78,186**

As at 31 December 2023, the carrying amount of unimpaired overdue loans was KZT 62,832 million (31 December 2022 – 67,128 million). Maturities of these overdue loans are not greater than 90 days.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Group has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

As part of the risk management system, liquidity risk is measured and controlled through the following tools:

- monitoring compliance with regulatory (prudential) liquidity ratios;
- setting and regular monitoring of internal limits and triggers for liquidity risk: risk appetite level, IPALA ratio, limit on GAP gaps, liability concentration limits, early warning indicators of liquidity risk;
- analysis of contractual maturities (GAP-analysis) and cash flow forecasting, including: planned transactions, projected rollover of attracted customer funds (taking into account the calculation of the stable part of funding);
- analysis of the concentration of funding sources (by largest depositors, by currency, by funding maturity, by funding source;
- indicators of early warning about liquidity risk, allowing to monitor and control liquidity risk;
- analysis of the volume of assets that can be used as collateral to raise liquidity;
- development and regular testing of a contingency financing plan with a description of the process of eliminating liquidity shortage in emergency situations;
- stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity.

Short-term liquidity needs are managed by the Group's treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analysing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyses and evaluates cash inflows and outflows to determine the potential shortage of liquid assets in the future. The Group measures and forecasts estimated cash flows for assets and liabilities, including off-balance sheet claims and liabilities, which analyzes the structure of gaps between cash flows for financial assets and financial liabilities (GAP analysis). In a GAP analysis, cash flows are grouped into time buckets based on the following principles:

- assets and liabilities are broken down into economically homogeneous and significant items;
- securities at fair value through profit or loss are classified in the column "Less than 1 month" because they are available to meet the Group's short-term liquidity needs;
- part of long-term loans provided to customers are classified in the column "From 3 months to 1 year", because for them, the Group has the right to unilaterally withdraw within ten months after due notice issued by the Group;
- loans to customers, amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, other financial assets, customer accounts, amounts due to credit institutions, debt securities issued, other financial liabilities included analysis of the liquidity position based on expected contractual maturities;
- Assets and liabilities other than those listed above are generally classified according to the payment schedule and the remaining period from the reporting date to the earliest contractual payment date or available maturity date.

For the purposes of effective control, the Group divides liquidity management into:

- management of current (intraday)/short-term liquidity – management of assets and liabilities with a maturity of less than 3 months;
- management of mid-term/long-term liquidity – management of assets and liabilities with maturity from 3 months to 1 year and more than 1 year.

Liquidity risk management is generally carried out by ALMC, whose main tasks are to control the implementation of the asset and liability management policy and the liquidity management policy, and to determine the need for liquid funds. The treasury department directly manages the Bank's cash flows and short-term liquidity within the established level of risk appetite for liquidity risk and the limits established by ALMC. The treasury department develops and implements measures for operational liquidity management. The risk management division is responsible for the implementation of the liquidity risk management process, for identifying, measuring, monitoring, controlling and analyzing liquidity risk as part of periodic management reporting on the current state of liquidity risk with related analysis, and, if necessary, provides its recommendations for minimizing risks. The risk management division also conducts stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity, including taking into account the scenario of the outflow of customer funds. Liquidity risk management (identification, measurement, monitoring, control and analysis of liquidity risk) is carried out in accordance with the IPALA and the liquidity risk management policy, as well as regulatory requirements.

(Millions of Kazakhstani Tenge)

The following tables provide an analysis of financial assets and liabilities grouped based on the above principles.

						31 December 2023
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,377,315	-	-	-	-	1,377,315
Obligatory reserves	122,468	23,652	64,201	24,272	10,273	244,866
Financial assets at fair value through profit or loss	569,008	337	2,029	17,988	-	589,362
Amounts due from credit institutions	99,434	2,669	53,199	16,171	281	171,754
Financial assets at fair value through other comprehensive income	98,807	109,353	505,451	1,169,237	543,054	2,425,902
Debt securities at amortised cost, net of allowance for expected credit losses	42	9,960	208,067	507,274		725,343
Loans to customers*	318,822	731,541	4,812,666	2,976,729	445,114	9,284,872
Other financial assets	50,216	2,096	11,305	14,026	4,123	81,766
	2,636,112	**879,608**	**5,656,918**	**4,725,697**	**1,002,845**	**14,901,180**
FINANCIAL LIABILITIES:						
Amounts due to customers	5,472,599	1,182,508	3,267,492	618,404	388,501	10,929,504
Amounts due to credit institutions	429,220	50,924	19,798	106,426	171,943	778,311
Financial liabilities at fair value through profit or loss	3,672	-	-	530	-	4,202
Debt securities issued	1,734	3,785	103,604	544,270		653,393
Other financial liabilities	170,969	1,463	8,274	642	446	181,794
	6,078,194	**1,238,680**	**3,399,168**	**1,270,272**	**560,890**	**12,547,204**
Net position	**(3,442,082)**	**(359,072)**	**2,257,750**	**3,455,425**	**441,955**	**2,353,976**
Accumulated gap	**(3,442,082)**	**(3,801,154)**	**(1,543,404)**	**1,912,021**	**2,353,976**	

(Millions of Kazakhstani Tenge)

						31 December 2022
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	2,028,820	11	-	-	-	2,028,831
Obligatory reserves	144,759	14,670	71,901	16,814	11,400	259,544
Financial assets at fair value through profit or loss	439,499	-	-	10,432	-	449,931
Amounts due from credit institutions	79,867	6,894	20,744	28,028	122	135,655
Financial assets at fair value through other comprehensive income	57,289	150,169	395,275	1,278,991	227,545	2,109,269
Debt securities at amortised cost, net of allowance for expected credit losses	14,113	17,305	283,541	703,146	984	1,019,089
Loans to customers*	325,594	671,791	4,472,139	2,286,554	101,824	7,857,902
Other financial assets	31,494	2,258	23,650	14,754	6,030	78,186
	3,121,435	**863,098**	**5,267,250**	**4,338,719**	**347,905**	**13,938,407**
FINANCIAL LIABILITIES:						
Amounts due to customers	5,365,384	722,973	3,612,836	411,430	399,425	10,512,048
Amounts due to credit institutions	679,972	9,577	3,174	19,112	166,830	878,665
Financial liabilities at fair value through profit or loss	9,955	-	-	673	-	10,628
Debt securities issued	-	3,785	3,209	455,823	-	462,817
Other financial liabilities	136,610	1,273	1,569	547	503	140,502
	6,191,921	**737,608**	**3,620,788**	**887,585**	**566,758**	**12,004,660**
Net position	**(3,070,486)**	**125,490**	**1,646,462**	**3,451,134**	**(218,853)**	**1,933,747**
Accumulated gap	**(3,070,486)**	**(2,944,996)**	**(1,298,534)**	**2,152,600**	**1,933,747**	

*Loans to customers in the column "3 months to 1 year" include loans with non-standard repayment schedule.

The change in liquidity gaps during the reporting period is associated with a change in the volume and/or structure of liquid assets, a change in the maturity structure of the Group's assets and liabilities, including due to a change in the maturity of assets (reduction/increase in the maturity of the portfolio of securities, loans to customers) and liabilities (reduction/increase in funds of amounts due to customers, amounts due to credit institutions, for debt securities issued).

As at 31 December 2023 and 2022 the Group complies with main liquidity ratios and regulatory liquidity requirements.

The analysis of liabilities by maturity does not reflect the historical stability of customer current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. In this regard, Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of the Group's current accounts is considered to be stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

(Millions of Kazakhstani Tenge)

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position, as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2023 Total
Amounts due to customers	5,539,223	1,201,861	3,389,901	650,178	464,185	11,245,348
Amounts due to credit institutions	435,062	53,409	54,744	346,535	190,807	1,080,557
Debt securities issued	1,734	4,937	132,792	564,207		703,670
Other financial liabilities	170,968	1,463	8,274	642	447	181,794
Guarantees issued	820,260	-	-	-	-	820,260
Commercial letters of credit	120,497	-	-	-	-	120,497
Commitments to extend credit	65,207	-	-	-	-	65,207
	7,094,644	**1,261,670**	**3,585,711**	**1,561,562**	**655,439**	**14,159,026**
Derivative financial assets	762,961	23,731	30,522	51,694	-	868,908
Derivative financial liabilities	765,828	22,773	25,168	44,046	-	857,815

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
Amounts due to customers	5,386,395	729,470	3,733,613	418,929	459,846	10,728,253
Amounts due to credit institutions	686,364	28,473	106,197	131,590	207,326	1,159,950
Debt securities issued	-	7,626	25,523	518,249	-	551,398
Other financial liabilities	136,610	1,273	1,569	547	503	140,502
Guarantees issued	603,701	-	-	-	-	603,701
Commercial letters of credit	94,192	-	-	-	-	94,192
Commitments to extend credit	69,122	-	-	-	-	69,122
	6,976,384	**766,842**	**3,866,902**	**1,069,315**	**667,675**	**13,347,118**
Derivative financial assets	358,493	102,895	-	52,614	-	514,002
Derivative financial liabilities	375,114	103,250	-	55,971	-	534,335

Transactions with government agencies and government-controlled companies

In the course of its operations, the Group enters into transactions with the National Bank of the Republic of Kazakhstan, the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan and government agencies, as well as with state-controlled companies (with an equity stake of 50% or more). The Group provides these customers with banking services, including, but not limited to: placing deposits, providing loans, transactions for the sale and purchase of securities, accepting funds for deposits, etc.

(Millions of Kazakhstani Tenge)

The balances of transactions with government institutions and state-controlled companies that were significant in terms of their carrying value (TOP 10) as at 31 December 2023 and 31 December 2022 are as follows:

31 December 2023

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	786,104	-	5,843	152	792,099
Government of the Republic of Kazakhstan	12,559	-	2,129,527	34,392	2,176,478
Other government agencies and state-controlled companies	11,285	499,061	678,336	952,439	2,141,121
Including:					
funds of state programs	-	-	-	186,812	186,812
conditional deposits	-	-	-	74,184	74,184
	809,948	**499,061**	**2,813,706**	**1,247,979**	**5,370,694**

31 December 2022

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	1,259,773	-	-	341	1,260,114
Government of the Republic of Kazakhstan	218	2,780	1,929,425	40,137	1,972,560
Other government agencies and state-controlled companies	1,742	441,768	682,583	1,691,460	2,817,553
Including:					
funds of state programs	135	-	67	105,709	105,911
conditional deposits	-	-	-	82,712	82,712
	1,262,699	**444,548**	**2,612,008**	**1,731,939**	

Cash and cash equivalents include balances on nostro accounts and term deposits with the NBRK in national and foreign currencies.

Loans to customers represent transactions for the financing of state-controlled companies, concluded on the terms of payment, urgency, repayment.

Securities are represented by debt and equity financial instruments denominated in national and foreign currencies, evaluated at fair value or amortized cost, depending on the purpose of acquisition.

Amounts due to credit institutions / due to customers represent liabilities to state-controlled companies in the form of current account balances, term deposits, funds placed under government financing programs small and medium-sized businesses, as well as conditional deposits placed by quasi-state companies as part of subsoil use operations.

In order to manage liquidity risk, including monitoring the concentration of assets and liabilities, the Group sets concentration limits for certain groups of customers, both in terms of claims to customers and liabilities to them (by the largest depositors / borrowers, by currency baskets, by source of funding); on a regular basis monitors the fulfillment of the specified limits, analyzes the dynamics of changes in indicators, and, if necessary, develops action plans to reduce the risk of concentration.

Additionally, on a regular basis, the Group conducts stress testing on the impact of potential changes in various macroeconomic and other indicators on the financial stability of the Group. One of the scenarios that must be considered and analyzed is a stressful outflow of customer funds (withdrawals from current accounts, early termination of term deposits), as well as the conversion of customer funds into foreign currency (from tenge to foreign currency), based on the results of a stress test, if necessary preventive measures are being developed to prevent a negative impact on the Group's operations.

The results of monitoring limits on the concentration of assets and liabilities and the results of stress testing are mandatory submitted for consideration by the authorized collegial bodies to get acquainted with the current level of the main types of risk inherent in the Group's activities and take corrective measures to minimize the risk, if necessary.

Market risk

Market risk is the risk that the Group's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables, such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks, which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimise risk/return, minimise losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review on at least an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decreases, interest expense increases or a negative impact on equity resulting from adverse changes in market interest rates.

The Group determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through other comprehensive income;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

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The ALMC manages interest rate risks and market risks through the management of the Group's position on interest rates to reach positive interest margins.

The Group manages interest rates by determining the Group's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Group assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.)

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2023 and 2022 and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Group believes income tax not to have a substantial effect for the purpose of interest rate risk management.

The impact on income before tax based on asset values as at 31 December 2023 and 2022 is as follows:

	31 December 2023		31 December 2022	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(9,099)	8,963	(24,595)	24,332
KZT	(9,368)	9,368	(24,924)	24,924
CCY	268	(405)	329	(592)
Amounts due from credit institutions	1,223	(1,223)	1,135	(1,135)
CCY	1,223	(1,223)	1,135	(1,135)
Financial assets at fair value through other comprehensive income	766	(766)	611	(611)
KZT	766	(766)	611	(611)
Loans to customers	4,682	(4,682)	2,590	(2,590)
CCY	4,682	(4,682)	2,590	(2,590)
Net impact on income before tax	**(2,428)**	**2,291**	**(20,257)**	**19,994**

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

(Millions of Kazakhstani Tenge)

The impact on equity based on asset values as at 31 December 2023 and 2022 is as follows:

	31 December 2023		31 December 2022	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT - 3.75% CCY - 2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(9,099)	8,963	(24,595)	24,332
KZT	(9,368)	9,368	(24,924)	24,924
CCY	268	(405)	329	(592)
Amounts due from credit institutions	-	-	1,135	(1,135)
CCY	-	-	1,135	(1,135)
Financial assets at fair value through other comprehensive income	(172,588)	172,588	(108,970)	108,970
KZT	(65,965)	65,965	(55,330)	55,330
CCY	(106,623)	106,623	(53,640)	53,640
Loans to customers	4,682	(4,682)	2,590	(2,590)
CCY	4,682	(4,682)	2,590	(2,590)
Net impact on equity	**(175,782)**	**175,646**	**(129,839)**	**129,577**

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimise losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Group’s open currency positions, with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial positions, results of operations and cash flows, which are monitored daily. The ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group’s principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying value of the Group’s USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. Currently, the Group's sensitivity to fluctuations in exchange rates is acceptable, due to the fact that the off- balance sheet items significantly neutralise the consolidated statement of financial position.

(Millions of Kazakhstani Tenge)

The Group's exposure to foreign currency exchange rate risk is as follows:

							31 December 2023
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	561,336	61,510	22,111	138,220	783,177	594,138	1,377,315
Obligatory reserves	8,906	6,150		105,596	120,652	124,214	244,866
Financial assets at fair value through profit or loss	246,103	3,370	20	613	250,106	339,256	589,362
Amounts due from credit institutions	101,126	4,109	16,073	13,119	134,427	37,327	171,754
Financial assets at fair value through other comprehensive income	1,418,689	133,479	8,255		1,560,423	865,479	2,425,902
Debt securities at amortised cost, net of allowance for expected credit losses	193,298			10,380	203,678	521,665	725,343
Loans to customers	1,365,955	122,814	13,637	109,008	1,611,414	7,673,458	9,284,872
Other financial assets	21,196	740	1,976	265	24,177	57,589	81,766
	3,916,609	**332,172**	**62,072**	**377,201**	**4,688,054**	**10,213,126**	**14,901,180**
FINANCIAL LIABILITIES							
Amounts due to customers	3,138,884	210,030	37,853	127,231	3,513,998	7,415,506	10,929,504
Amounts due to credit institutions	193,078	8,646	39,207	4,143	245,074	533,237	778,311
Financial liabilities at fair value through profit or loss		-	530	-	530	3,672	4,202
Debt securities issued	324,803	-	-	-	324,803	328,590	653,393
Other financial liabilities	4,594	1,454	91	2,517	8,656	173,138	181,794
	3,661,359	**220,130**	**77,681**	**133,891**	**4,093,061**	**8,454,143**	**12,547,204**
Net position – on-balance	**255,250**	**112,042**	**(15,609)**	**243,310**	**594,993**	**1,758,983**	**2,353,976**
Net position – off-balance	**29,460**	**(109,932)**	**21,147**	**(183,970)**	**(243,295)**	**256,524**	
Net position	**284,710**	**2,110**	**5,538**	**59,340**	**351,698**	**2,015,507**	

(Millions of Kazakhstani Tenge)

							31 December 2022
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,212,787	44,706	25,727	243,665	1,526,885	501,946	2,028,831
Obligatory reserves	19,865	10,333	-	154,546	184,744	74,800	259,544
Financial assets at fair value through profit or loss	176,977	-	71	902	177,950	271,981	449,931
Amounts due from credit institutions	76,533	8,896	20,666	22,789	128,884	6,771	135,655
Financial assets at fair value through other comprehensive income	1,294,923	135,359	10,742	-	1,441,024	668,245	2,109,269
Debt securities at amortised cost, net of allowance for expected credit losses	201,171	-	-	34,419	235,590	783,499	1,019,089
Loans to customers	1,091,803	83,335	50,354	113,423	1,338,915	6,518,987	7,857,902
Other financial assets	3,291	322	6,414	2,334	12,361	65,825	78,186
	4,077,350	**282,951**	**113,974**	**572,078**	**5,046,353**	**8,892,054**	**13,938,407**
FINANCIAL LIABILITIES							
Amounts due to customers	4,078,425	264,226	43,983	166,189	4,552,823	5,959,225	10,512,048
Amounts due to credit institutions	49,176	16,425	52,718	2,139	120,458	758,207	878,665
Financial liabilities at fair value through profit or loss	-	240	673	983	1,896	8,732	10,628
Debt securities issued	139,879	-	-	-	139,879	322,938	462,817
Other financial liabilities	2,306	779	93	2,914	6,092	134,410	140,502
	4,269,786	**281,670**	**97,465**	**172,225**	**4,821,148**	**7,183,512**	**12,004,660**
Net position – on-balance	**(192,436)**	**1,281**	**16,507**	**399,853**	**225,205**	**1,708,542**	**1,933,747**
Net position – off-balance	**368,850**	**(2,181)**	**(19,378)**	**(315,886)**	**31,405**	**(41,816)**	
Net position	**176,414**	**(900)**	**(2,871)**	**83,967**	**256,610**	**1,666,726**	

(Millions of Kazakhstani Tenge)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2023 and 2022 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate, with all other variables held constant on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Group believes income tax not to have a substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2023 and 2022 was calculated using the annual analysis of the exchange rate volatility based on historical data of the exchange rate dynamics over the last two years; see the details in the following table:

	31 December 2023		31 December 2022	
	+30% KZT/USD	-30% KZT/USD	+30% KZT/USD	-30% KZT/USD
Impact on financial result/equity	85,413	(85,413)	20,575	(20,575)

	31 December 2023		31 December 2022	
	+30% KZT/EURO	-30% KZT/EURO	+30% KZT/EURO	-30% KZT/EURO
Impact on financial result/equity	633	(633)	(270)	270

	31 December 2023		31 December 2022	
	+30% KZT/RUR	-30% KZT/RUR	+30% KZT/RUR	-30% KZT/RUR
Impact on financial result/equity	1,661	(1,661)	(866)	866

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group’s assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group’s financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products, which are subject to general and specific market fluctuations.

To limit price risk, the Group determines limits for maximum losses (stop-loss) on securities from the trade portfolio to minimise potential losses of the trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical and parametric simulation.

The Group estimates the price risk at 31 December 2023 and 2022 to be not material and therefore quantitative information is not disclosed.

34. Capital risk management

The Group's capital management objectives, which are a broader concept than the "equity" on the face of the consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date the capital adequacy of the Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

(Millions of Kazakhstani Tenge)

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group and absorb losses as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Group, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Group's liquidation. This part of capital consists of instruments issued by the Group and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group for the years ended 31 December 2023 and 2022. During these two years, individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2023	31 December 2022
Composition of regulatory capital		
CET 1		
Common shares, net of treasury shares	(49,487)	(51,508)
Share premium	8,667	7,966
Retained earnings of prior years	1,750,723	1,455,739
Net income for the current year	693,436	569,478
Accumulated disclosed reserves*	54,320	54,157
Non-controlling interest	10	9
Property and financial assets at fair value through other comprehensive income revaluation reserves	13,620	(36,729)
Less: goodwill and intangible assets	(16,401)	(17,398)
Less: cumulative translation reserve	(3,459)	(11,742)
Common Equity Tier 1 (CET 1) Capital	**2,451,429**	**1,969,972**
Additional tier 1		
Tier 2		
Subordinated debt	37,698	36,136
Total qualifying for Tier 2 capital	**37,698**	**36,136**
Total regulatory capital	**2,489,127**	**2,006,108**
Risk weighted assets	12,676,762	10,273,792
CET 1 capital adequacy ratio	**19.34%**	**19.17%**
Tier 1 capital adequacy ratio	**19.34%**	**19.17%**
Total capital adequacy ratio	**19.64%**	**19.53%**

*As at 31 December 2023, accumulated disclosed reserves comprised from KZT 54,102 million capital reserve (31 December 2022: 54,157 million capital reserve).

35. Segment analysis

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organisations including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include the allowances for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's management reviews discrete financial information for each segment, including the evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(Millions of Kazakhstani Tenge)

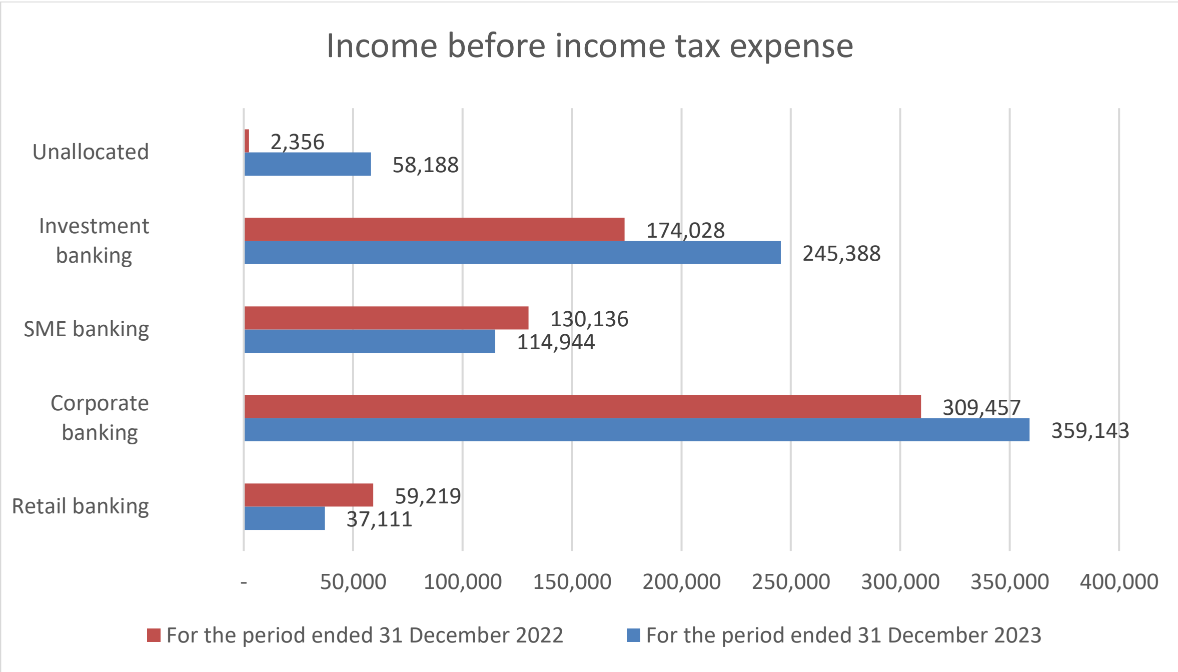
Segment information for the main reportable business segments of the Group as at 31 December 2023 and 2022 and for the years then ended, is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2023 and for the year then ended						
External revenues	669,139	710,701	295,973	295,440	302,777	2,274,030
Total revenues	**669,139**	**710,701**	**295,973**	**295,440**	**302,777**	**2,274,030**
Total revenues comprise:						
- Interest income	523,475	653,442	225,778	264,083	3,004	1,669,782
- Fee and commission income, including:	127,771	32,769	36,011	-	3,509	200,060
Transactional income of individuals	139,948	-	-	-	-	139,948
Transactional income of legal entities	-	13,146	31,254	-	2	44,402
Letters of credit and guarantees issued	-	15,415	4,621	-	-	20,036
Other	865	4,508	136	-	3,507	9,016
Loyalty program	(13,043)	(300)	-	-	-	(13,343)
- Net (loss)/gain on financial assets at fair value through profit or loss	-	40,939	-	31,346	309	72,594
- Net foreign exchange gain	17,893	48,085	34,184	11	(10,059)	90,114
- Share in profit of associate	-	-	-	-	13,593	13,593
- Insurance underwriting income, income on non-banking activities and other (expense)/income	-	(64,534)	-	-	292,421	227,887
Total revenues	**669,139**	**710,701**	**295,973**	**295,440**	**302,777**	**2,274,030**
- Interest expense	(360,442)	(317,131)	(140,123)	(40,043)	(1,546)	(859,285)
- Expected credit loss expense	(61,410)	(15,215)	(14,639)	(3,384)	3,982	(90,666)
- Fee and commission expense	(91,693)	(5,229)	(1,825)	(954)	(3)	(99,704)
- Net realised loss from financial assets at fair value through other comprehensive income	-	-	-	(4,055)	-	(4,055)
- Operating expenses	(118,483)	(15,906)	(24,149)	(1,616)	(56,733)	(216,887)
- Recovery of other credit loss expense/(other credit loss expense)	-	1,923	(293)		(68)	1,562
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and loss from impairment of non-financial assets	-	-	-	-	(3,298)	(3,298)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(131,848)	(131,848)
- Reinsurance agreements					(55,075)	(55,075)
Total expenses	**(632,028)**	**(351,558)**	**(181,029)**	**(50,052)**	**(244,589)**	**(1,459,256)**
Segment result	**37,111**	**359,143**	**114,944**	**245,388**	**58,188**	**814,774**
Income before income tax expense	37,111	359,143	114,944	245,388	58,188	814,774
Income tax expense	-	-	-	-	(121,338)	(121,338)
Net income	**37,111**	**359,143**	**114,944**	**245,388**	**(63,150)**	**693,436**
Total segment assets	2,917,442	6,339,309	1,536,837	3,722,275	978,505	15,494,368
Total segment liabilities	5,690,720	3,755,107	2,425,130	683,243	463,214	13,017,414
Other segment items:						
Capital expenditures					(45,845)	(45,845)
Depreciation and amortisation					(18,534)	(18,534)
Investment in associate					51,464	51,464

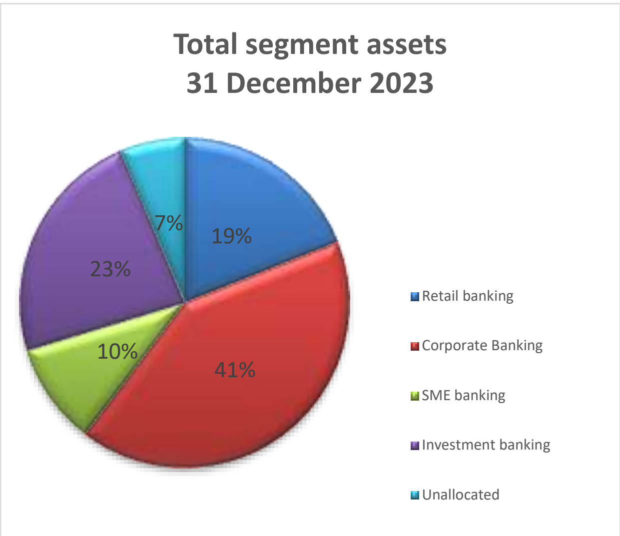
(Millions of Kazakhstani Tenge)

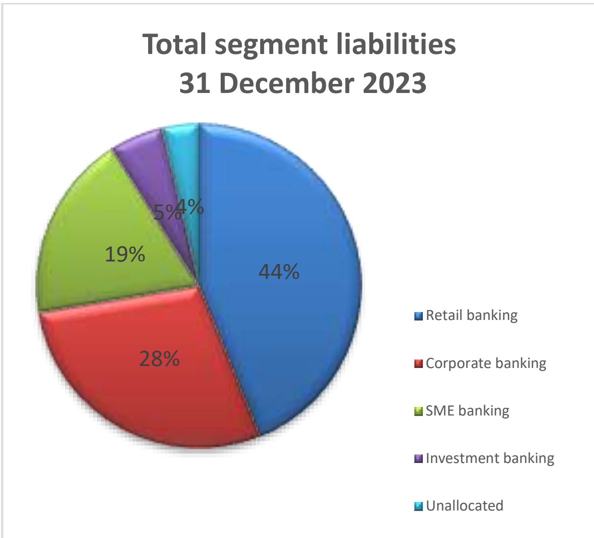
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2022 and for the year then ended						
External revenues	546,684	612,744	225,238	215,820	233,089	1,833,575
Total revenues	**546,684**	**612,744**	**225,238**	**215,820**	**233,089**	**1,833,575**
Total revenues comprise:						
- Interest income	402,563	476,317	153,066	215,386	316	1,247,648
- Fee and commission income, including:	119,998	23,331	33,161	4	3,572	180,066
Transactional income of individuals	129,189	-	-	4	39	129,232
Transactional income of legal entities	-	9,946	28,034	-	363	38,343
Letters of credit and guarantees issued	44	10,159	3,611	-	49	13,863
Other	2,919	3,293	1,516	-	3,121	10,849
Loyalty program	(12,154)	(67)	-	-	-	(12,221)
- Net foreign exchange gain	20,790	118,843	38,166	-	94	177,893
- Share in profit of associate	-	-	-	-	9,708	9,708
- Insurance underwriting income, income on non-banking activities and other (expene)/income	3,333	(5,747)	845	430	219,399	218,260
Total revenues	**546,684**	**612,744**	**225,238**	**215,820**	**233,089**	**1,833,575**
- Interest expense	(227,009)	(245,311)	(69,537)	(35,268)	(1,057)	(578,182)
- Credit loss expense	(71,009)	(22,793)	(3,413)	(954)	(8,760)	(106,929)
- Fee and commission expense	(86,152)	(7,300)	(1,298)	(763)	(586)	(96,099)
- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	-	5,667	-	(3,608)	(3,859)	(1,800)
- Operating expenses	(103,627)	(14,063)	(20,772)	(1,199)	(53,357)	(193,018)
- Recovery of other credit loss expense/(other credit loss expense)	332	(266)	(82)	-	94	78
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and Loss from impairment of non-financial assets	-	21	-	-	4,038	4,059
- Loss on disposal of subsidiaries	-	(19,242)				(19,242)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(167,246)	(167,246)
Total expenses	**(487,465)**	**(303,287)**	**(95,102)**	**(41,792)**	**(230,733)**	**(1,158,379)**
Segment result	**59,219**	**309,457**	**130,136**	**174,028**	**2,356**	**675,196**
Income before income tax expense	59,219	309,457	130,136	174,028	2,356	675,196
Income tax expense					(105,718)	(105,718)
Net income	**59,219**	**309,457**	**130,136**	**174,028**	**(103,362)**	**569,478**
Total segment assets	2,398,307	6,435,420	1,257,508	3,403,441	900,426	14,395,102
Total segment liabilities	5,206,935	4,238,654	2,124,081	468,571	344,619	12,382,860
Other segment items:						
Capital expenditures					(30,547)	(30,547)
Depreciation and amortisation					(16,002)	(16,002)
Investment in associate					42,005	42,005

Income before income tax expense by segments were as follows:

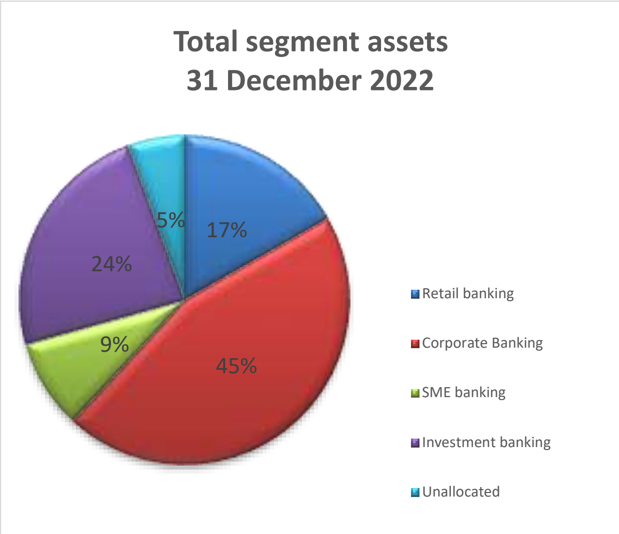


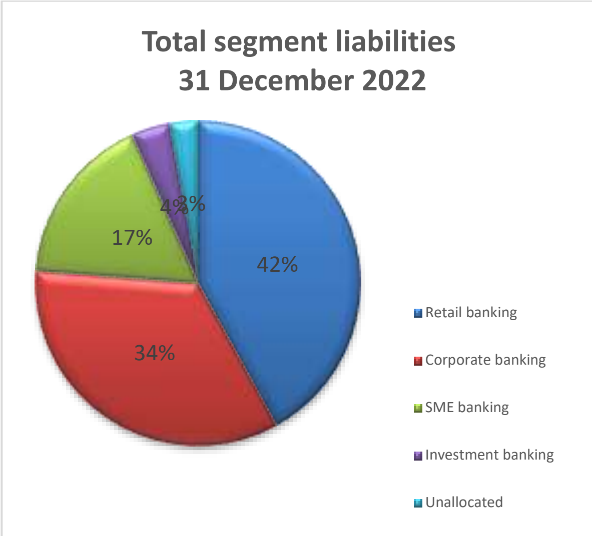
Share of segment assets and liabilities as at 31 December 2023 and 2022 presented as follows:





(Millions of Kazakhstani Tenge)





Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2023 and 2022 and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2023				
Total assets	13,495,756	1,393,663	604,949	15,494,368
External revenues	2,106,406	103,318	64,306	2,274,030
Capital expenditure	(44,845)	-	-	(44,845)
2022				
Total assets	12,488,832	1,295,413	610,857	14,395,102
External revenues	1,719,033	37,511	77,031	1,833,575
Capital expenditure	(30,547)	-	-	(30,547)

External revenues, assets and credit related commitments have generally been allocated based on the domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

36. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair values of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

(Millions of Kazakhstani Tenge)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

During the year ended 31 December 2023, the Group changed the definition of an active market in its accounting policies. In accordance with the changes in policy, the Group has revised the classification of securities for previous periods.

The impact of restatements is as follows:

Financial assets and liabilities	Fair value hierarchy	31 December 2022 (as previously reported)	Adjustment	31 December 2022 (restated)
Non-derivative financial assets at fair value through profit or loss (Note 7)	Level 1	160,373	(82,442)	77,931
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	Level 2	170,049	82,442	252,491
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	Level 3	10	107,763	107,773
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	Level 1	1,735,734	(1,349,006)	386,728
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	Level 2	373,482	1,349,006	1,722,488

The adjustments of these misclassifications did not result in any changes to the Group's consolidated financial statements or basic and diluted earnings per share.

The table below summarises the Group's financial assets and liabilities held at fair value by valuation methodology as at 31 December 2023 and 2022, before any allowances for expected credit losses.

(Millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value 31 December 2023	Fair value 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 7)	95,431	77,931	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	337,413	252,491	Level 2	Quoted prices in a market that is not sufficiently active.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	132,682	107,773	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	23,836	11,736	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	**589,362**	**449,931**				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	4,202	10,628	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	**4,202**	**10,628**				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	428,476	386,728	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	1,997,373	1,722,488	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	53	53	Level 3	Unquoted equity securities	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	**2,425,902**	**2,109,269**				

(Millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2023 and 2022.

	Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Level 3)	Non-derivative financial assets at fair value through profit or loss (Level 3)
31 December 2021	**750**	**10**
Settlements*	(697)	107,763
31 December 2022	**53**	**107,773**
Settlements*	-	24,909
31 December 2023	**53**	**132,682**

*As at 31 December 2023 and 2022, the settlements include written-off bonds of Kazakhstani corporations.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of the estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows, discounted at the year-end market rates.

(Millions of Kazakhstani Tenge)

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	171,754	177,504	135,655	145,621
Loans to customers	9,284,872	9,360,564	7,857,902	7,410,430
Debt securities at amortised cost, net of allowance for expected credit losses	725,343	665,491	1,019,089	945,828
Financial liabilities				
Amounts due to customers	10,929,504	10,885,820	10,487,615	10,500,612
Amounts due to credit institutions	778,311	816,092	878,665	881,765
Debt securities issued	653,393	642,695	462,817	436,540

			31 December 2023
	Level 2	Level 3	Total
Financial assets			
Amounts due from credit institutions	177,504	-	177,504
Loans to customers	-	9,360,564	9,360,564
Debt securities at amortised cost, net of allowance for expected credit losses	472,070	193,421	665,491
Financial liabilities			
Amounts due to customers	10,885,820	-	10,885,820
Amounts due to credit institutions	816,092	-	816,092
Debt securities issued	642,695	-	642,695

			31 December 2022
	Level 2	Level 3	Total
Financial assets			
Amounts due from credit institutions	145,621	-	145,621
Loans to customers	-	7,410,430	7,410,430
Debt securities at amortised cost, net of allowance for expected credit losses	746,236	199,592	945,828
Financial liabilities			
Amounts due to customers	10,500,612	-	10,512,612
Amounts due to credit institutions	881,765	-	881,765
Debt securities issued	436,540	-	436,540

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

37. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

During 2023 and 2022, the Group entered into arm-length transactions with entities where the Group's shareholders were one of the participants. Management believes that any control of these entities is with unrelated parties as per IFRS through the level of holding control or trust management arrangements, which are in compliance with Kazakhstan legislation. As such, these transactions are not disclosed as being with related parties.

(Millions of Kazakhstani Tenge)

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties. The Group had the following balances outstanding as at 31 December 2023 and 2022 with related parties:

	31 December 2023		31 December 2022	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers before allowance for expected credit losses	12,025	9,774,798	42,676	8,280,290
- entities with joint control or significant influence over the entity	11,706		42,284	
- key management personnel of the entity or its parent	311		392	
- other related parties	8		-	
Allowance for expected credit losses	(48)	(489,926)	(182)	(422,388)
- entities with joint control or significant influence over the entity	(44)		(177)	
- key management personnel of the entity and its parent	(3)		(5)	
- other related parties	(1)			
Other assets	51,464	173,662	42,005	159,982
- Investments in associates	51,464		42,005	
Amounts due to customers	178,669	10,929,504	516,223	10,512,048
- the parent	110,838		434,987	
- entities with joint control or significant influence over the entity	46,305		60,332	
- key management personnel of the entity or its parent	11,397		10,243	
- other related parties	10,129		10,662	
Debt securities issued	227,351	653,393	-	462,817
- entities with joint control or significant influence over the entity	223,473		-	
- key management personnel of the entity or its parent	3,878		-	

(Millions of Kazakhstani Tenge)

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income calculated using effective interest method	2,392	1,627,018	2,583	1,220,643
- entities with joint control or significant influence over the entity	2,362		2,561	
- key management personnel of the entity or its parent	30		22	
Interest expense	(10,781)	(859,285)	(7,813)	(578,182)
- the parent	(6,336)		(3,924)	
- entities with joint control or significant influence over the entity	(3,455)		(3,563)	
- key management personnel of the entity or its parent	(364)		(140)	
- other related parties	(626)		(186)	
Share in profit of associate	13,593	13,593	9,708	9,708
Operating expenses	(2,000)	(216,888)	(2,500)	(193,018)
- entities with joint control or significant influence over the entity	(2,000)		(2,500)	

	Year ended 31 December 2023		Year ended 31 December 2022	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	3,715	126,929	3,816	108,461
- Salaries and other employee benefits	3,715		3,816	

38. Subsequent events

Management has not identified events occurred after 31 December 2023, requiring recognition or disclosure.