art of intelligence

annual report

2022

Eurasian Bank

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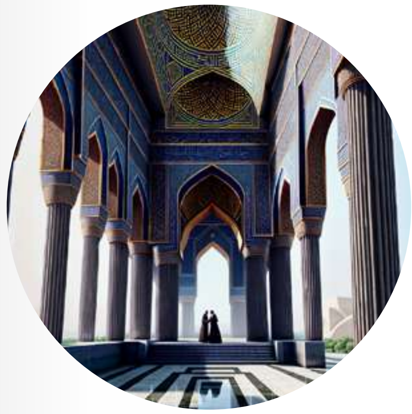


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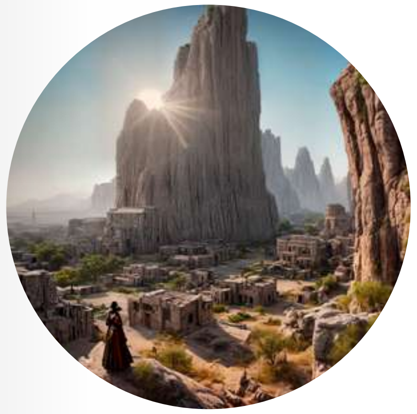

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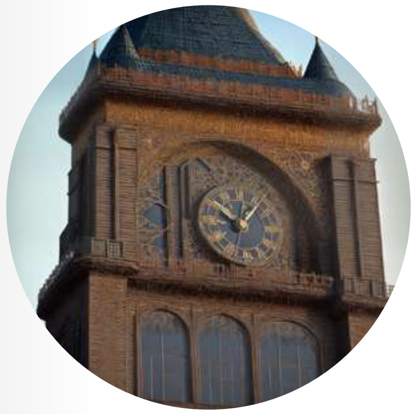

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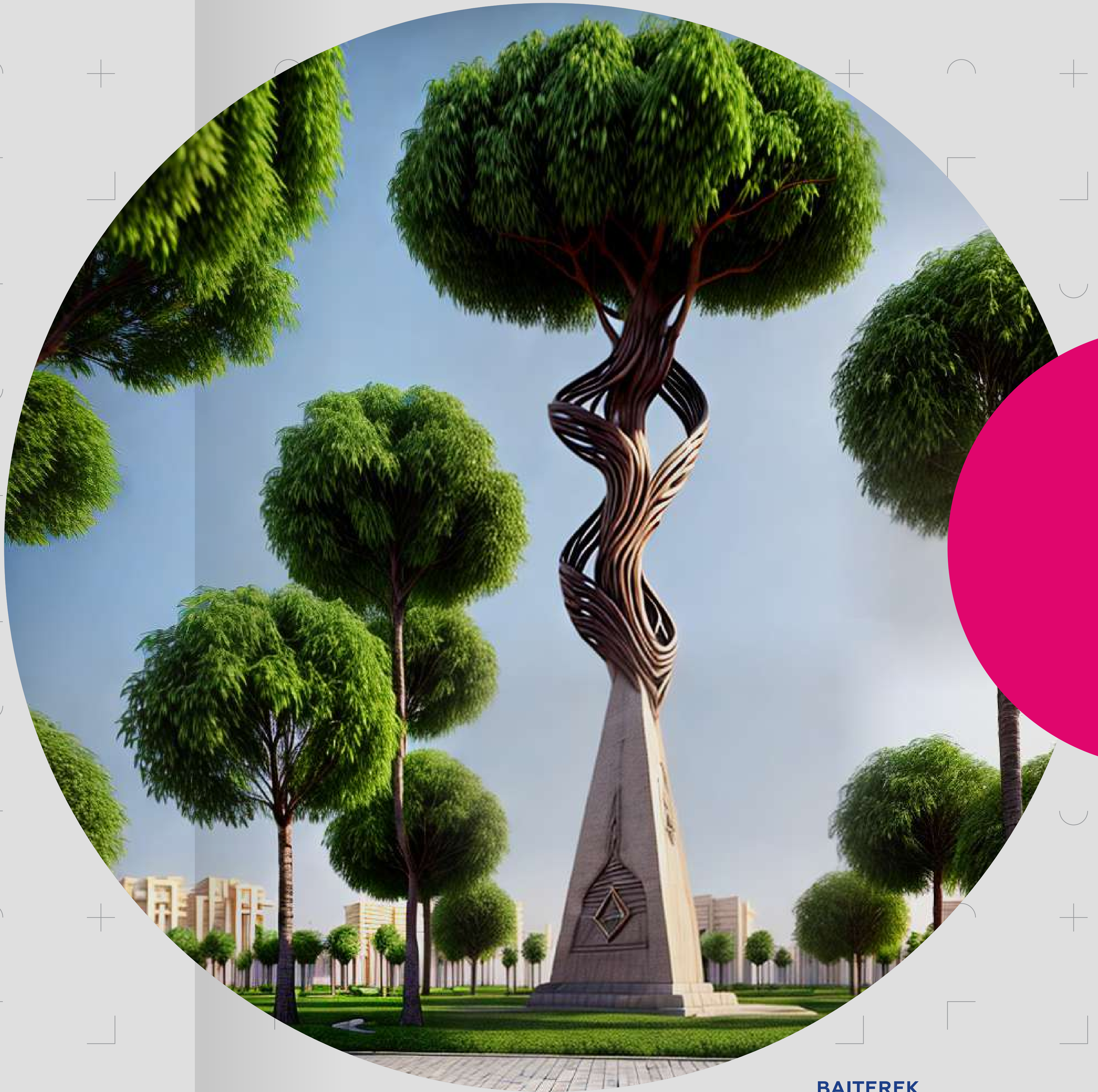
Eurasian Bank

bank highlights



BAITEREK

Eurasian Bank is a socially important commercial bank of Kazakhstan with a 28-year history of development. It is in the ten largest banks in the country in terms of assets, occupies a leading position in the retail banking market, and provides a wide range of services to corporate clients and SME.

BANK IN FIGURES

5 place IN TERMS OF INDIVIDUAL DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

5 place IN TERMS OF CORPORATE DEPOSITS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

7 place IN TERMS OF ASSETS AMONG THE BANKS OF THE REPUBLIC OF KAZAKHSTAN

1 place PLACE IN THE NEW CAR LENDING MARKET

3 place PLACE IN THE POS-LENDING MARKET

- CUSTOMER BASE OF OVER 4.5 MILLION PEOPLE AND 1.8 MILLION PEOPLE CUSTOMERS WITH EXISTING PRODUCTS
- CUSTOMER BASE OF OVER 4 MILLION PEOPLE AND 2.1 MILLION PEOPLE CUSTOMERS WITH EXISTING PRODUCTS
- 17 BRANCHES IN KAZAKHSTAN
- OVER 5 800 EMPLOYEES

KEY FIGURES FOR 3 YEARS[1]

KEY FINANCIAL FIGURES, BLN TENGE[1]	2020	2021	2022
Total assets	1 199,7	1 413,3	2 356,2
Loans to customers	562,4	635,3	1 059,3
Customer deposits	952,9	1 136,4	1 931
Equity	109,1	119,3	197,3
Operating income	88,7	86,9	193,9
Net profit	6,8	13	83,3
Tier 1 capital adequacy ratio	12,1%	12,2%	13,2%
Capital adequacy ratio	30,2%	28,7%	24,1%

1 According to the Bank consolidated data

MARKET SHARE[2]	2020	2021	2022
Assets	3,9%	3,8%	5,3%
Loans to customers / net	3,8%	3,6%	4,8%
Corporate deposits	4,1%	5%	7%
Retail deposits	4,2%	3,6%	5,1%

2 According to the NBRK data

MAJOR EVENTS 2022

JANUARY

In connection with the January events that occurred in Kazakhstan, Eurasian Bank decided not to accrue fines and penalties for individuals who defaulted on loans during the period from 1 to 31 January 2022. For legal entities penalties and fines were not charged until the end of the state of emergency in Kazakhstan – 19 January 2022. Despite the fact that the Bank branch and three outlets in Almaty suffered from the actions of vandals, the Bank promptly organized customer service in other premises. The eubank.kz Bank official website worked even in the conditions of lack of internet access to provide Kazakhstani people with reliable information about the financial institution's activities.

APRIL

Moody's credit rating agency affirmed the Bank's long-term rating at B2 with a stable outlook, which reflects the agency's expectations regarding the sustainable development of the financial institution.

MAY

The Bank launched the Broker 2.0. – solution, whereby approval of a consumer loan takes 4 seconds (on average in the market it takes 30-40 seconds). This result was achieved through a set of solutions: integration with government services, licensing the Bank as a certification center, changing the risk model in the decision-making system, and adapting the customer journey to two indicators: phone number and IIN.

The Bank was the first to join the rules of the pilot project, which regulate interaction with crypto exchanges on the territory of the Republic of Kazakhstan. The rules of the pilot project were previously developed and signed by the NBRK, ARDFR, AFM, AIFC, MDDIAI, AFK.

JUNE

For the second consecutive year, Global Finance named Eurasian as the best sub-custodian bank in Kazakhstan in 2022 as part of the annual World's Best Banks Awards. Selection criteria included customer relationships, service quality, competitive pricing, technology platforms, business continuity plans, knowledge of local regulations and practices, etc. The study was conducted in more than 80 countries.

The Instant Payment System (IPS) became available via Smartbank mobile app. Payments and transfers by phone number between accounts and e-wallets of any banks and payment organizations can be made via the IPS. The Bank became one of the first participants of the system, and the first money transfers within the system were made by the Bank in the pilot mode in November.

The Bank's sole shareholder decided to allocate the net profit of 12.7 billion tenge to increase the Bank capital in order to further increase the financing of the country's economy and invest in the development of banking technologies and customer services.

JULY

By the decision of the Board of Directors, Gaziz Yermekov, Managing Director of the IT Block, was elected as a new member of the Management Board and Deputy Chairperson of the Bank Management Board, who began to supervise the development of information technologies and operational activities of the Bank.

SEPTEMBER

The Bank assets exceeded 2 trillion tenge as a result of steady development, growth in lending and other financial services to customers. The Bank moved up to 7th place by asset size.

Eurasian Bank wrote off loans to clients who lost their homes as a result of fires in the Kostanay region. The Bank also transferred financial assistance to the Kaiyrymdylyk (Kindness) KZ Unified Fund.

Eurasian Bank together with Kazakhstan's Intebix exchange presented the first crypto fiat transaction in Central Asia. The Bank conducted a legal purchase of cryptocurrency for tenge, offering one of the lowest commissions in the world. The presentation took place at the Digital Bridge 2022 forum, where the joint booth of Intebix and Eurasian Bank was presented to President Kassym-Jomart Tokayev and participants.

OCTOBER

The Agency of the Republic of Kazakhstan on Regulation and Development of the Financial Market approved Ms. Lyazzat Satiyeva for the position of Chairperson of the Bank Management Board. Since 2020, Ms. Satiyeva has served as Deputy Chairperson of the Management Board, overseeing corporate business and SME development.

NOVEMBER

The Bank launched lending by QR code for the Bank partners and clients. The solution allows you to purchase goods or services thanks to a QR code placed at the Bank partners, fill in a few fields and instantly receive a decision. All documents are signed electronically without visiting the Bank outlet.

DECEMBER

International Business Magazine recognized Eurasian Bank as the best in two nominations – Fastest Consumer Loan and Best Bank in Auto Loans in Kazakhstan in the annual International Business Magazine Awards. The conclusion of the edition's experts was based on the analysis of the Bank services and products and the results of their integration into the country's market.

Moody's Ratings Services upgraded Eurasian Bank's outlook from "stable" to "positive", affirming its B2 long-term rating in local and foreign currencies. Moody's expects the Bank to maintain its improved credit metrics, demonstrating rapid loan growth and resilience to the potential impact of the external environment.

The powers of Ivan Belokhvostikov, member of the Management Board and Deputy Chairperson of the Management Board, were terminated by the decision of the Bank Board of Directors.

EVENTS AFTER THE REPORTING DATE

JANUARY 2023

Ibragim Altamirov was appointed as member of the Management Board, Deputy Chairperson of the Management Board, tasked with supervising the risk management of the Bank.

MARCH 2023

Kazpost and Eurasian Bank signed a memorandum of cooperation on cash withdrawals from ATMs.

The Bank paid compensation to customers on deposits in the amount of 10.5 billion tenge received from the Kazakhstan Deposit Insurance Fund under the Tenge Deposit Protection Program.

Smart Business mobile app for legal entities was updated. The service for businessmen includes such functions as information on accounts, balances and transaction fees, FX-platform, opening an additional account and other services.

The Bank was included in the 50 reliable banks of neighboring countries – 2023 rating, according to Forbes.ru. The authors of the edition ranked the banks based on the assessments of international credit rating agencies, as well as the size of assets of participants from such countries as Armenia, Georgia, Azerbaijan, Uzbekistan and Kazakhstan.

VISION, MISSION, VALUES

VISION

BECOME ONE OF THE LEADERS AMONG THE COUNTRY'S TECHNOLOGICAL RETAIL PRIVATE BANKS.

MISSION

DEVELOP A SUCCESSFUL AND EFFICIENT BUSINESS BY OFFERING CUSTOMERS MODERN DIGITAL BANKING SOLUTIONS AND PRODUCTS THAT ARE UNDERSTANDABLE AND ACCESSIBLE TO EVERYONE.

VALUES

- FOCUS ON THE CUSTOMER
- PARTNER RELATIONSHIPS
- COMMITMENT TO ADVANCED TECHNOLOGIES AND INNOVATION
- PROFESSIONALISM AND CONTINUOUS IMPROVEMENT

FINANCIAL SOLUTIONS

Eurasian Bank offers a full range of services and products to individuals, SME and CB.

- For private customers, lending solutions are provided (auto loans, unsecured, salary, consumer, etc.), deposits, payment cards, money transfers, sale and purchase of refined gold bars and coins made of precious and non-precious metals, remote service via Smartbank, and other services.
- Deposits, servicing (bank account opening and maintenance, collection services, trade acquiring), bank and express guarantees, remote servicing (Client's Bank), loans, trade finance, custodial activities, and others are offered to legal entities.
- The Bank is a member of the state financing programs of the Damu EDF: Damu Regions, Damu-Ondiris, Yenbek, Economy of Simple Things, and the Business Roadmap 2025 state program, which provides support for SMEs by subsidizing interest rates on loans and guaranteeing bank loans.

RATINGS

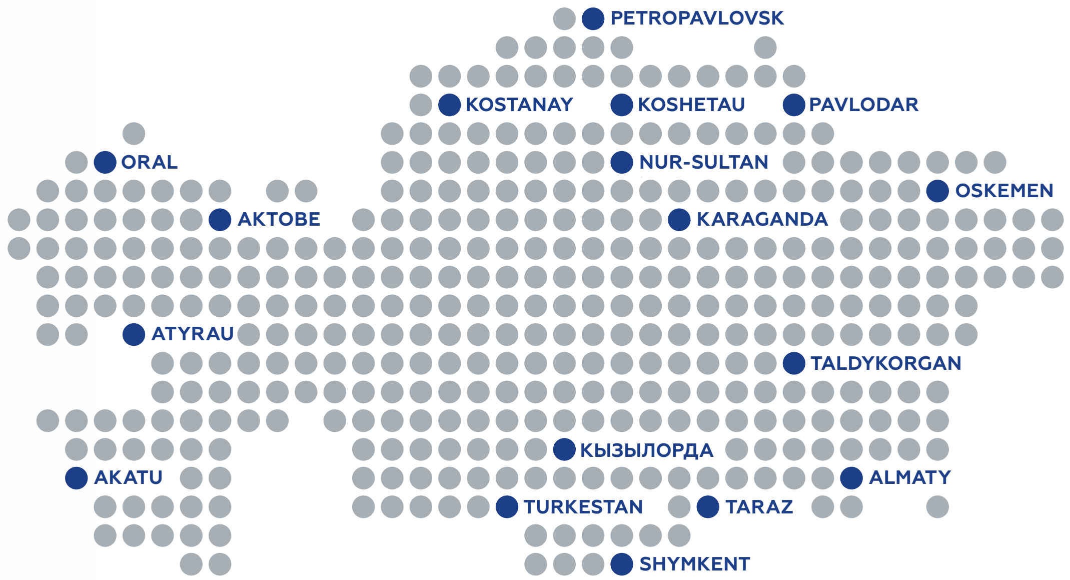
MOODY'S

- **B2 LONG-TERM DEPOSITS IN FOREIGN CURRENCY. OUTLOOK – POSITIVE**
- **B1 LONG-TERM COUNTERPARTY RISK RATING**
- **B3 BASELINE CREDIT ASSESSMENT**

AWARDS

- 2021 – Global Finance international financial independent magazine named Eurasian Bank the best custodian bank in Kazakhstan as part of the annual World's Best Banks Awards rating.
- 2021 – Eurasian Bank honored by International Finance magazine for Best Auto Loan for SME.
- 2022 – Global Finance again named Eurasian Bank as the best sub-custodian bank in Kazakhstan.
- 2022 – International Business Magazine edition recognized Eurasian Bank as the best in two nominations – Fastest Consumer Loan and Best Bank in Auto Loans in Kazakhstan in the annual International Business Magazine Awards rating.

GEOGRAPHY OF ACTIVITY



- **17 BRANCHES** • **116 SETTLEMENT AND CASH OFFICES**
- **938 POS-TERMINALS** • **184 AUTO LOAN POINTS-OF-SALE**
- **479 ATMS** • **492 PAYMENT TERMINALS**

BANK HISTORY

1994

Eurasian Bank is founded as a joint-stock company.

1996

- State license for carrying out broker – dealer activity in the securities market obtained.
- Bank became a member of the Kazakhstan Stock Exchange.

1997

The Bank becomes a participant of Society for Worldwide Interbank Financial Society for Worldwide Interbank Financial Telecommunications (SWIFT).

1998

Custodian license obtained.

1999

The Bank joined the Association of Financiers of Kazakhstan.

2000

- The Bank became a participant of individual deposit mandatory collective insurance system.
- The Bank was accepted as a participant of VISA International payment system.

2003

Moody's assigned first credit ratings to the Bank.

2004

- The Bank became a member of Kazakhstan Mortgage Loan Insurance Fund.
- The Bank raised the first syndicated loan in the amount of $15.5 mln.

2006

- The Bank became a member of the First Credit Bureau.
- Standard & Poor's assigned credit ratings to the Bank.

2007

The first bond program of 30 billion tenge and the first bond issue of 10 billion tenge were registered within the first bond program of the Bank.

2010

Completion of the transaction for acquisition of 99.99% shares of the Bank Troyka Dialog Bank (Moscow) OJSC commercial bank that was later renamed Eurasian Bank OJSC.

2012

- Consumer loan repayment terminals launched.
- Private Banking personal customer service opened.

2013

MasterCard and Maestro, MasterCard PayPass cards issue and service license obtained.

2014

Universal mobile banking app, available on iOS (iPhone and iPad), Android and Windows Phone, is launched.

2015

- Eurasian Bank started preferential auto loans issuance.
- Kazakhstanis made one million payments and transfers via Eurasian Bank Internet banking.
- Eurasian Bank became the owner of 100% of the shares of Bank Pozitiv Kazakhstan JSC.

2016

- The Bank obtained NBRK permission to acquire Bank Pozitiv Kazakhstan. After the merger, the Bank continued its operations under the Eurasian Bank brand.
- The Bank equity increased by 15 billion tenge. As a result, the authorized capital of the Bank increased by 42%, and the regulatory capital exceeded 100 billion tenge.

2017

- The Bank started selling refined gold bars to the public as part of the NBRK program.
- The Bank issued subordinated bonds for 150 billion tenge and became the first participant in the Kazakhstan Banking Sector Financial Sustainability Enhancement Program.

2018

- The Bank obtained the third tranche of 1.875 billion tenge from the Development Bank of Kazakhstan under the domestic auto industry support program.
- Together with MasterCard, the Bank launched smartphone payment s for iPhone (Apple Pay) and Android owners.
- The Bank started accepting citizens' applications under the 7-20-25: New Opportunities to Purchase Housing for Each Family housing program.

2019

- Kazakhstan Deposit Insurance Fund selected Eurasian Bank as an agent for payment of compensation for deposits, current and card accounts of individuals and individual entrepreneurs placed in the liquidated Bank of Astana.
- The Bank took part in the National Bank of the Republic of Kazakhstan project called Suńqar. The Bank implemented transfers using the Suńqar system in the Smartbank mobile app.
- The Bank joined The Economy of Simple Things state program for subsidizing loans to domestic entrepreneurs.
- The Bank launched instant transfers by card number in the Smartbank mobile app for Android and iOS users.
- For the first time in Kazakhstan, the Bank started using artificial intelligence in customer interaction. At the first stage, the Bank launched robots in Soft Collection to call borrowers whose loans are overdue.

2020

- In February, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market issued to Eurasian Bank a license to conduct banking and other operations and activities on the securities market. The new license dated 3 February 2020 has the number 1.2.68/242/40.
- In February, the results of the asset quality review (AQR), which was conducted by the National Bank of the Republic of Kazakhstan with the participation of independent international consultants and auditors, were announced. The AQR results fully comply with the forecasts and expectations of the Eurasian Bank shareholders and management.
- In March, the Bank offered the possibility of obtaining a deferral to its clients during the COVID-19 pandemic, joining the initiative of the Agency for Regulation and Development of Financial Market of the Republic of Kazakhstan to cancel fines and penalties, as well as to provide a deferral to individual and corporate borrowers whose economic situation worsened due to the introduction of the emergency state in Kazakhstan.
- In April, Eurasian Financial Company, the Bank's sole shareholder, contributed to the Bank's capital 4 billion tenge, fulfilling its obligations under the Program for Financial Sustainability Enhancement and Risk Reduction of the Banking Sector of the Republic of Kazakhstan.
- In August, Eurasian Bank supported hospitals during the pandemic, a member of the Board of Directors Shukhrat Ibragimov purchased a batch of 100 oxygen concentrators for clinics in 16 regions of Kazakhstan. The Bank organized the supply of several thousand disposable masks for concentrators, anti-plague suits, protective masks and glasses, shoe covers, gloves, as well as pulse oximeters.
- In September, Eurasian Bank was selected by the Kazakhstan Deposit Insurance Fund JSC (KDIF) as an agent – bank to pay a guarantee compensation on deposits, current and card accounts of individuals and individual entrepreneurs, placed in Tengri Bank, deprived of its license.
- In December, Eurasian Bank closed a deal on the sale of 100% of the shares of a subsidiary bank in Russia to a buyer Sovcombank PJSC.

2021

- In January, KDIF and Eurasian Bank extended the term of payment of compensation to Bank of Astana depositors until 29 July 2021.
- The Bank suffered an irreparable loss: one of the beneficial owners of Eurasian Bank, Alidzhan Rakhmanovich Ibragimov, passed away.
- The Bank jointly with Nume Group for the first time in Kazakhstan launched an online service for the removal of collateral from cars.
- Eurasian Bank was selected as an agent bank for the payment of guaranteed compensation to AsiaCredit Bank depositors.
- In March, Shukhrat Alidzhanovich Ibragimov, a member of the Bank Board of Directors and one of Alidzhan Ibragimov sons, was elected to the Board of Managers of the ERG Group and became a representative of Alidzhan Ibragimov's family interests in all assets of the Group in Kazakhstan.
- Eurasian Bank and SaryarkaAvtoProm LLP, the largest automaker in Kazakhstan, jointly launched the assembly of KIA models at the plant in Kostanay. Under a three-year credit line of 30 billion tenge, opened in 2020, the Bank is financing SaryarkaAvtoProm LLP for the purchase of card kits for Chevrolet and KIA models.
- In June, the sole shareholder of the Bank refused from the dividends for 2020 and directed the entire profit of the Bank, amounting to 4.2 billion tenge, to recapitalization of the Bank.
- Eurasian Bank was the first in Kazakhstan to issue Eco-cards made of recycled plastic.
- In July, AllurAuto (part of the Allur Group of Companies) and together with Eurasian Bank launched the first fully remote car purchase on credit from the Chevrolet, KIA, JAC and Mitsubishi model ranges.
- Eurasian Bank started issuing cards created for car owners – Auto Cards.
- The Bank supported the victims of the explosions that occurred in Zhambyl Province in August 2021 by writing off existing loans to the Bank customers.
- Moody's credit rating agency upgraded the Bank outlook on long-term national and foreign currency deposit ratings to "stable". The ratings were confirmed.
- In October, the Bank launched digital lending of used cars on the car.eubank.kz website and it takes only a few clicks — from choosing a car brand and determining the loan amount to receiving the final decision.
- In November, based on the Eurasian Bank application, the Moody's credit rating agency withdrew the Bank ratings on the national scale. The agency's international rating differs from the rating on the national scale in that it allows a global comparison of the Bank position with all international institutions, which the national rating does not provide.
- In December, Eurasian Bank launched Google Pay for MasterCard and Visa payment systems.

2

Eurasian Bank

strategy report

KOK-TOBE

LETTER FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Aleksandr MASHKEVICH,

he Chairperson of the Board of Directors
of EURASIAN BANK JSC

Dear shareholders, customers, partners!

I am proud to present to you the Annual Report on the work of our bank for 2022. Eurasian Bank achieved impressive financial results and once again confirmed its social importance for economic development, business support and financial stability of Kazakhstanis.

The year was full of dramatic events: following the January protests in Kazakhstan, the geopolitical situation in Russia and Ukraine worsened, sanctions risks intensified, and growing inflation in all countries of the world exerted additional pressure. The Kazakh economy was influenced by all these factors.

Nevertheless, the measures taken by the government of the country and the National Bank made it possible to avoid serious consequences for the economy due to tight monetary policy, budgetary impulse, favorable conditions in the hydrocarbon markets, as well as a record grain harvest. And at the end of the year, Kazakhstan's GDP grew by 3.2%. To reduce inflation, which exceeded 20%, and stabilize the tenge exchange rate, the National Bank increased the base rate from 9.75% to 16.75%.

Despite the turmoil, the departure of two players from the market – the Russian subsidiaries of Sberbank and Alfa Bank due to the introduction of international sanctions, the banking sector of Kazakhstan remained stable, moreover, demonstrating growth in key indicators.

At the end of the year, the total assets of the banking sector increased by 18.4%, reaching 44.6 trillion tenge. The loan portfolio increased by 20.1% – to 24.3 trillion tenge. The customer deposits increased by 21.5% and amounted to 31.6 trillion tenge.

Last year, Eurasian Bank confirmed its social importance for the economy by providing deferred payments to clients – individuals and legal entities who found themselves in a difficult financial situation amid the state of emergency in the country in January.

Thanks to an efficient business model, high capitalization and the work of the professional team, the Bank took advantage of market opportunities to improve its performance. The Bank assets in 2022 increased by 66.7% – to 2.4 trillion tenge, which led to an increase in the share from 3.8% to 5.3% and an increase from 8th place to 7th in the ranking of the largest banks in the country. The Bank's loan portfolio increased by 66.7% and exceeded 1 trillion tenge. The deposit portfolio increased by 70% and approached 2 trillion tenge – the Bank entered the top 5 among 21 banks.

In recent years, competition in the market has intensified, but the bank continues to maintain leadership positions in a number of segments: we occupy 3rd place in the POS lending market and the traditional first place in the car lending market, including through offering new programs for clients and rethinking our business processes.

Along with the growth of business indicators, we closely monitor the reliability of our Bank. Last year, equity capital increased by 65% – to 197.3 billion tenge. Capital adequacy is at a comfortable level to support strong future growth. The strengthening of our Bank's positions and prospects was also appreciated by the Moody's Investors Service international rating agency – the forecast for the Bank's long-term deposit rating was raised from "stable" to "positive".

We continue to progressively develop the ESG agenda by implementing a project to market a card made from recycled plastic – the Eco-Card. Together with clients who use it and help allocate bonuses for landscaping, we planted trees in a number of schools in Astana.

Today, the Kazakhstan economy is still affected by the geopolitical situation in the world, high inflation and the base rate. We can say with confidence that Eurasian Bank will continue to strengthen its position in the market through a competent strategy that successfully adapts to market changes, through innovative work, improving service and meeting the needs of our clients. On the part of shareholders, we are ready to continue to provide the necessary support to the Bank and its talented team.

On behalf of the Board of Directors, I would like to thank the Management Board and team for their coordinated and efficient work in difficult conditions, our clients and partners for their trust and wish them successful completion of their tasks and achievement of all goals during this period!

LETTER FROM THE CHAIRPERSON OF THE EURASIAN BANK MANAGEMENT BOARD

Lyazzat SATIYEVA,

The Chairperson of the Eurasian Bank Management Board

Dear shareholders, customers, partners!

I would like to share with you the results of our work in 2022, and also present audited consolidated statements under IFRS.

Geopolitical tensions, turbulence, and sanctions restrictions became another challenge for the banking system of Kazakhstan, but at the same time they provided new opportunities for growth. Eurasian Bank used this time to increase its market share to 5.3% from 3.8%.

Some entrepreneurs are faced with the question of where and how to continue servicing their business against the backdrop of a disruption in current supplies and problems with financing due to the withdrawal of subsidiary Russian banks from the market. Infrastructurally, Eurasian Bank was ready for such a situation, and accordingly, we managed to increase our share. It is worth noting that local business was not affected thanks to the efforts of many Kazakh banks.

The bank's liquid assets increased significantly – by 75%, which made it possible to quickly adapt to market volatility and actively lend in response to customer needs.

Last year we strengthened our position in corporate business. The customer base here almost doubled, the volume of loans, including SME, increased by 43% and amounted to 408.4 billion tenge. Thus, at the end of the year, the Bank took sixth place in loans to corporate business with a market share of 3.5% and eighth in SME loans (the share increased from 2.4% to 3.3%).

We continued active digitalization, as a result of which we were one step ahead of the market in consumer lending, providing the best experience for clients – 4 seconds to issue a loan decision (on average in the market it takes 30-40 seconds). The digital product was also appreciated by international experts: Global Finance, the authoritative edition awarded the Bank the Innovator in Consumer Lending title, and International Business Magazine named the Bank the best in the Fastest Consumer Loan category. In the consumer lending market of Kazakhstan, the Bank is in the top 3 with a share of 17%.

In the second half of last year, our assets exceeded 2.3 trillion tenge and this steady growth continues. The portfolio of loans to individuals (including individual entrepreneurs) increased by 62.5% – to 830.7 billion tenge. The number of loan applications increased by one and a half times.

The card business became one of the most growing areas: the number of active cards reached almost 1 million, account balances grew by 67%, and card turnovers by 77%. Over the year, our clients conducted 2.5 times more online transactions, while the average receipt for remote purchases increased by 22%, and for remote transfers – by 36%.

I consider this one of the results of the digital transformation and updating of the IT architecture, which the Bank began in 2020. Over the year, the number of active Smartbank users increased by a third and exceeded 530,000 people. Today, 79% of all loan applications are received online, and more than 50% of deposits are opened remotely. The number of transfers via smartphone increased by more than 60%.

By refocusing our business to support clients in challenging environments and increasing digitalization, we demonstrated impressive results. The Bank net profit increased almost six times and amounted to 83.3 billion tenge. Both interest and commission income showed growth.

Once again, the shareholders decided to allocate the Bank profits to its capitalization to finance Kazakhstan economy and invest in the development of banking technology and customer services.

In 2023, we will continue our digital development with even greater enthusiasm to improve the customer experience and create a modern, convenient bank. We also plan to open a subsidiary bank in Uzbekistan.

We are well positioned to support our customers during a period of significant uncertainty, to deliver sustainable growth and returns to shareholders in the years ahead. I thank our customers and partners for their mutually beneficial cooperation.

BANK DEVELOPMENT STRATEGY TILL 2024

The Bank continues to implement the Development Strategy for 2021-2024 approved in December 2020, under which the Bank aims to develop as one of the leaders among the technological retail private banks in Kazakhstan.

THE MAIN PRIORITIES OF THE STRATEGY ARE:

- Delivering the best digital experience for our retail customers, providing them with unique and personalized products, and maximizing the value offers.
- Creation of the most suitable products for corporate clients that will solve the tasks facing their business; maintaining personal service and expanding presence in remote channels.
- Improving the efficiency of business processes throughout the Bank in order to increase staff satisfaction and enhance the customer experience.

RESULTS OF THE STRATEGY IMPLEMENTATION IN 2022

In 2022, the bank continued to actively work within the framework of the approved Strategy, successfully transforming its business and digitizing products and services, strengthening its position and increasing shares in key market indicators.

MARKET POSITION OF THE BANK / MARKET SHARE *

	2021	2022	Position
Assets	3,8%	5,3% ↑	7 / +1 from the year start
Loans	3,6%	4,8% ↑	7 / +1 from the year start
Individual deposits	3,6%	5,1% ↑	5 / +3 from the year start
Corporate deposits	5,0%	7,0% ↑	5 /+1 from the year start
Net profit	1,0%	5,6% ↑	7 / +6 from the year start

** Calculations are based on data from the National Bank*

At the end of 2022, **the retail business direction** demonstrated record growth in loan and deposit portfolios due to its readiness for emerging market opportunities. The active development was also facilitated by the digitalization of the Bank's loan and deposit products, as well as the launch of the fastest and most convenient solution on the market in consumer lending, which reduced the time of the client assessment process to 4 seconds. The Bank remains a leader in the car lending segment:

- 1st place in the new car market,
- 2nd place in used car lending.

Thus, the volume of retail loans (including individual entrepreneur loans) increased by 62.5% and amounted to 830.7 billion tenge. The individual deposits also increased, which increased by 77.7% and amounted to 874.4 billion tenge.

The corporate business direction continued its active development and growth in 2022 by attracting new clients and implementing major transactions.

Over the year, the loan portfolio of corporate clients (including SME) grew by 43% and amounted to 408.4 billion tenge, deposits – by 64% to 1.1 trillion tenge (54.7% of the total).

The strengthening of positions in the corporate segment market was due to the introduction of new products and digital solutions that made it possible to attract new customers. Last year, the Bank performed several releases of new products and services, including the release of a business card, updated the Smart Business app, launched the Auto-Balancing service and, for the first time in Kazakhstan among second-tier banks, issued an electronic bank guarantee on the quasi-public sector procurement portal (mitwork.kz).

KEY INDICATORS FOR 2022:

- The net profit amounted to 83.3 billion tenge (growth 538.5%);
- The Bank's return on equity (ROE) indicator amounted to 53%;
- Cost-to-Income ratio (CIR) amounted to 25.8%.

PLANS FOR 2023

Eurasian Bank intends to follow the Development Strategy and sets the following goals for 2023:

SUSTAINABLE BUSINESS GROWTH

В 2023 году Евразийский банк продолжит устойчивое развитие бизнеса за счет роста In 2023, Eurasian Bank will continue its sustainable business development through the growth of services and solutions for both retail and corporate clients. The balance of these areas will allow the Bank, while remaining a leader in the retail market, to strengthen its position among major clients and SME.

DIGITAL TRANSFORMATION

The Bank intends to strengthen the digitalization of business and improve customer experience. The driver of the growth of digital activity over the past 5 years is a mobile application. In 2023, the Bank's marketing strategy will focus on digital promotion of digital products. The main goal is to convey to consumers the key advantages of digital products.

PROVIDING A BETTER DIGITAL EXPERIENCE FOR CUSTOMERS

A record number of initiatives are planned for 2023 to improve the customer experience. In 2022, the Bank achieved an increase in the volume of online loan applications; by the end of the year, their share reached 79%, which significantly exceeds the offline share in the main retail lending segments, such as POS, Cash and Auto. More than 50% of deposits are opened remotely. In this regard, the Bank plans to further improve the Smartbank and Smart Business mobile apps, which will be supplemented with a number of new services and products. In 2023, attention will be paid to customer experience enhancement – Customer Journey Mapping and Usability Experience.

STRENGTHENING THE RETAIL DIRECTION

In 2023, the Bank expects extensive growth of its partner base and significant improvement in the range of digital solutions for clients. Eurasian Bank continues to integrate with partners for online car lending, plans to launch new unique products and improve the customer journey system to create an efficient and convenient lending process.

WORK IN THE CORPORATE SECTOR

Cooperation with SME and corporate customers is also an important task of the Bank for 2022. Eurasian Bank will continue its balanced growth in those sectors of the economy in which it is well-versed and sees prospects for their development. For corporate clients, the Bank is actively developing a remote service channel and provides them with new products and services. In 2022, a large amount of work is planned to develop a mobile version of the new remote banking system for business customers.

IMPROVING THE LOAN PORTFOLIO QUALITY

In 2022, the Bank will continue to work with non-performing debts to improve the quality of the Bank assets with the help of modern collection technologies and a flexible approach to work with domestic and foreign investors at selling the Bank collateral and balance sheet property. This work will significantly increase the healthy market loan portfolio and compensate for the losses on interest income of the non-performing loan portfolio.

EXPENDITURE CONTROL

The Bank exercises control over administrative and economic expenses and personnel expenses, which corresponds to the approved strategy. It is important to understand that the customer, his/her needs and expectations are at the forefront of the Bank's strategic development. This means that the entire Bank will work for the customer

and support the customer block. At the same time, all the Bank's activities, individual projects, directions, points of sale, customers, customer managers will be evaluated according to financial models by the criterion of return on equity (ROE).

OPENING OF A SUBSIDIARY BANK IN UZBEKISTAN

In 2023, the Bank plans to open a subsidiary bank in Uzbekistan to develop digital retail banking products here. Eurasian Bank built up Work experience with this area in Kazakhstan and can successfully transfer it to the market of the neighboring country.

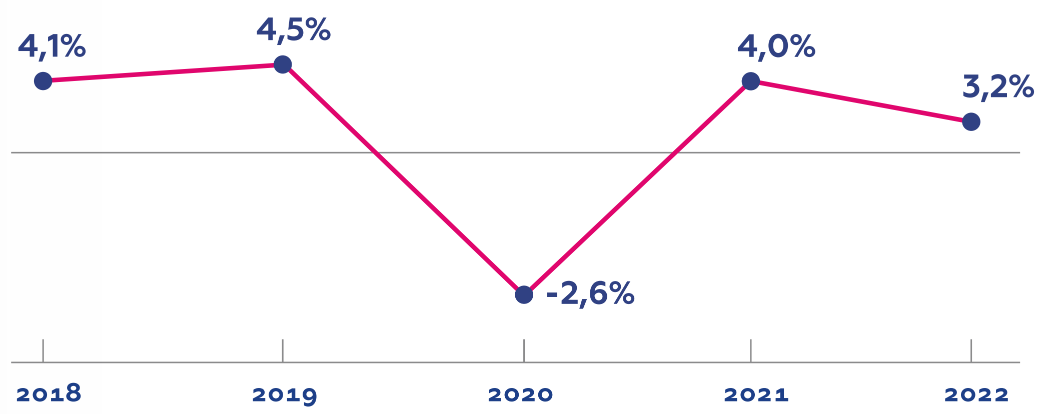
Entering the Uzbekistan market is explained by the country's significant economic growth potential and increasing consumer demand.

ECONOMY AT A GLANCE

In 2022, the Kazakhstan economy, like the world economy as a whole, developed in rather difficult conditions: record high rates of consumer inflation, tightening monetary policy conditions, reduction in household consumption, and a tense geopolitical situation. In addition, the decline in oil production in the country had a negative impact. But despite the external situation and emerging challenges, in 2022 real economic growth in Kazakhstan amounted to 3.2%, supported by a fiscal impulse, favorable conditions in hydrocarbon markets, as well as a record grain harvest.

REAL GDP GROWTH, %

Growth dynamics of real GDP of Kazakhstan, %



Growth in the real sector was 3.2%, in the services sector – 2.6%. Rapid growth rates were recorded in the areas of construction, agriculture, information and communications, trade, transport and warehousing, and manufacturing.

According to the Government, $28 billion of foreign direct investment was attracted to the country, and 18 percent growth was achieved. The real volume of investment in fixed capital increased by 8%. Foreign trade turnover increased by 32% and amounted to $134 billion.

THE MAIN DIRECTIONS OF WORK OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN IN 2022 WERE:

- prompt implementation of measures to combat inflation;
- SME development (in particular, the implementation of fundamentally new approaches to business regulation "from scratch", the introduction of preferential lending programs and regional support for SME);
- counteracting private monopolists, developing transparent market competition and returning illegally transferred assets to state ownership; the implementation of the Action Plan to combat the shadow economy continued;
- active work within the framework of the new fiscal policy (in particular, the introduction of countercyclical budget rules that help reduce transfers from the National Fund), as well as stabilizing the growth rate of government spending;
- continuation of work to reduce state participation in the economy and attract foreign investment. Thus, the Comprehensive Privatization Plan until 2025 additionally included 171 objects, while about 200 socially significant objects in the fields of water, electricity and heat supply were excluded.

CURRENT ACCOUNT POSITIONS

According to the National Bank of the Republic of Kazakhstan, at the end of 2022 the current account had a surplus and amounted to $8.5 billion. In 2021, the current account deficit was 2.6 billion. The transition of the negative current account balance to the positive zone is associated with an improvement in the trade balance.

The trade balance surplus increased by 50.1% to $36.4 billion. The growth of the surplus was ensured by the faster growth rate of exports of goods than the growth rate of imports. Exports of goods according to the balance of payments increased by 30.9% compared to 2021 and amounted to $86.1 billion amid an increase in the value of oil and gas condensate exports. Imports of goods increased by 19.7% and amounted to $49.8 billion.

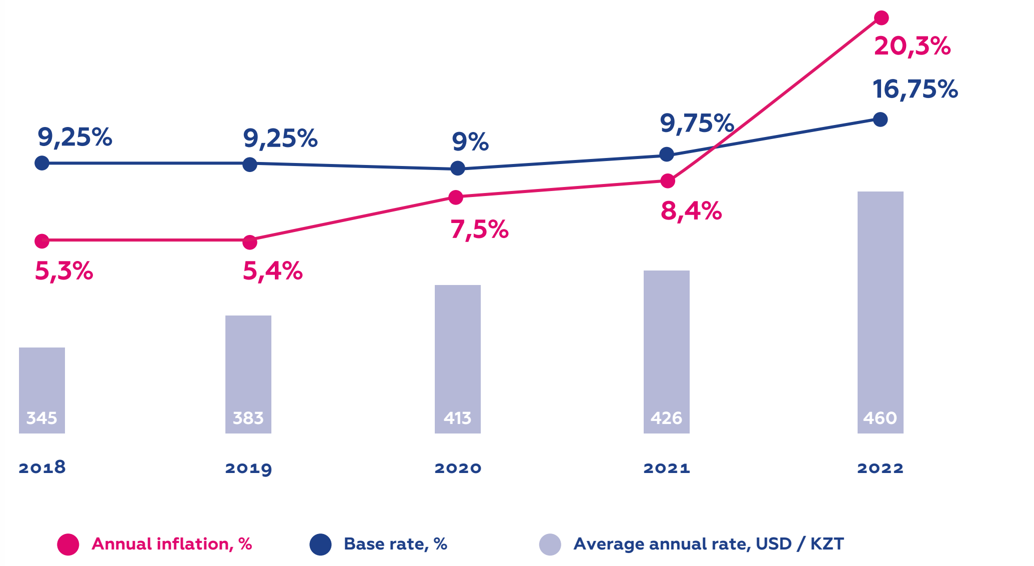
BASE RATE, INFLATION, NATIONAL CURRENCY EXCHANGE RATE

In 2022, the National Bank pursued a tight monetary policy, increasing the base rate six times – from 9.75% to 16.75%.

In December, the Monetary Policy Committee made its last planned decision for 2022 to increase the base rate by 75 basis points up to 16.75%, taking into account the dynamics of actual inflation and the updated trajectory of its forecast values. According to the National Bank of the Republic of Kazakhstan, the accumulated effect of tightening monetary policy and maintaining the current value of the base rate for a long time will allow maintaining conditions conducive to a gradual decrease in inflation in the medium term.

At the end of 2022, annual inflation reached 20.3%. The greatest increase was demonstrated by prices for food and non-food products, while the increase in prices for paid services remained unchanged. The main reasons for the increase in inflation in 2022 were: increased geopolitical tensions, a record rise in prices in the world, disruption of logistics connections and the introduction of temporary restrictions on the export of certain goods to neighboring countries. The government implemented a set of measures to control and reduce inflation, which includes measures to increase the share of domestic goods in the domestic market, develop mechanisms for storing and transporting products, and support retail trade.

The average annual exchange rate of tenge to the US dollar decreased from 426.03 tenge in 2021 to 460.48 tenge in 2022 (depreciation by 8%). In 2022, the aggravation of the geopolitical situation and unfavorable conditions in global financial markets had a negative impact on the dynamics of the national currency. Tenge was supported by sales of foreign exchange earnings by entities of the quasi-public sector, sales of foreign currency to ensure transfers from the National Fund to the Republican budget, as well as foreign exchange interventions of the National Bank.



RATINGS AND POSITION OF INTERNATIONAL ORGANIZATIONS

On 2 December 2022 and then on 26 May 2023, the international rating agency Fitch Ratings confirmed the sovereign credit rating of Kazakhstan at the "BBB" level, the forecast is "stable". The key factors in maintaining the credit rating continue to be a strong fiscal position and significant external reserves, which contributed to resilience to external shocks. Fitch Ratings estimates that international reserves stood at 37.8% of GDP at the end of 2021, significantly higher than the median for countries with similar credit ratings. At the same time, the country's dependence on commodities, high inflation and an underdeveloped economic policy program are noted.

In the fall of 2022, the credit agency Standard & Poor's Global Ratings revised the outlook on Kazakhstan's sovereign credit rating to "negative" amid risks associated with possible interruptions in the work of the Caspian Pipeline Consortium (CPC), through which about 80% of the oil produced in the country is exported. On 3 March 2023, the credit agency confirmed the Kazakhstan sovereign credit rating of at the "BBB-/A-3" level, improving the outlook from "negative" to "stable". The current S&P report emphasizes that the country's fiscal and external balances remain resilient and will be sufficient to mitigate the possible impact of lower oil exports associated with temporary disruptions in the CPC operations. The analysts also note the effective macroeconomic policy pursued by the Government, which is aimed at diversifying the economy through investment programs, improving the investment climate, reducing government participation, developing competition, improving tax policy, reforming public procurement, and reducing administrative barriers to business.

THE POSITION OF INTERNATIONAL ORGANIZATIONS

The World Bank expects Kazakhstan economy to show moderate acceleration, with real GDP growing by 3.5% in 2023 and 4% in 2024. The main driver of growth will be the hydrocarbon sector due to increased oil production. Continued foreign direct investment in the extractive sector and the government housing program are likely to support investment activity. Meanwhile, high inflation, rising borrowing costs, and rising household debt levels may restrain the growth of consumer spending. Inflation is forecast to remain high in 2023 due to high prices for food and imported intermediate goods. According to the forecast, inflation will return to the target range of 4-6% in 2024.

In April 2023, the International Monetary Fund (IMF) confirmed its January forecast for the growth of the Kazakh economy in 2023 by 4.3%. At the same time, the institute improved its forecast for the GDP increase in 2024 by 0.5 percentage points. up to 4.9%. The IMF expects the inflation to slow to 14.8% this year. The analysts predict a significant reduction in the indicator in 2024 – to 8.5%.

The Asian Development Bank (ADB) forecasts the growth of the Kazakh economy by 3.7% in 2023. In 2024, Kazakhstan's GDP will grow by 4.1% due to the recovery of industry, oil production volumes at large fields, the service sector and domestic demand. The ADB analysts suggest that inflation will slow to 11.8% in 2023 with a further decline to 6.4% in 2024 against the background of the tight monetary policy of the National Bank of the Republic of Kazakhstan. Export restrictions on basic food products and the establishment of ceiling gasoline prices will also contribute to a slowdown in price growth.

THE BANKING SECTOR[1]

During 2022, the banking sector of Kazakhstan was influenced mainly by the geopolitical situation, which affected the subsidiaries of Russian banks. As a result, the sector narrowed to 21 banks, losing Alfa-Bank SB JSC, which joined CenterCredit Bank. A change of Russian shareholders occurred in Bereke Bank JSC (formerly Sberbank SB JSC) and Home Credit Bank.

The total assets of the sector for 2022 increased by 18.4%, reaching 44.6 trillion tenge. The growth of assets was demonstrated by 18 STBs out of 21. As of 1 January 2023, Eurasian Bank ranked 7th in terms of assets, moving up one position in the rating of banks of the Republic of Kazakhstan. The Bank assets have grown by 66.4% since the beginning of the year, the figure corresponds to 3rd place in the system.

In the structure of assets of the banking sector, the largest share (52.3% of total assets) was accounted for by the loan portfolio in the amount of 24.3 trillion tenge, which increased by 20.1% since the beginning of the year. At the end of 2021, Eurasian Bank occupied the 7th position in terms of loan portfolio volume with a market share of 5%. The Bank loan portfolio grew by 60% in 2022 and exceeded the mark of 1.1 trillion tenge.

The share of loans overdue over 90 days (NPL90+) in the market at the end of 2022 was 3.4% (at the beginning of the year – 3.3%). Provisions for the loan portfolio amounted to 1.6 trillion tenge or 6.8% of the loan portfolio (+0.2 percentage points since the beginning of the year).

1 Indicators in this section are based on data from the National Bank

At the beginning of 2023, the liabilities of the banking sector amounted to 39.3 trillion tenge, an increase of 18.9% since the beginning of the year. In the total liabilities, the largest share (80.3%) came from the customer deposits, which increased by 21.5% in 2022 and amounted to 31.6 trillion tenge. Corporate deposits in 2022 increased by 16.7% – to 14.7 trillion tenge. The individual deposits during the year increased by 26.0% – to 16.9 trillion tenge against the backdrop of the increased interest rates.

At the end of 2022, Eurasian Bank occupied 5th place in the country's banking sector in terms of the volume of corporate deposits and 6th place in terms of their dynamics (+61.8% since the beginning of the year). The share of deposits of legal entities in the Eurasian Bank liabilities amounted to 47.4%. The individual deposits in the Bank increased since the beginning of 2022 by 78.1% and amounted to 854.8 billion tenge (5th place in the sector in terms of indicators and dynamics). The share of retail deposits in the Bank liabilities increased over the 12 months of 2022 from 36.9% to 39.5%.

The net profit of the banking sector for 2022 amounted to 1.5 trillion tenge, an increase of 13.7% to the level of 2021. According to the results of 2022, the net profit of Eurasian Bank increased 6.5 times to 82.6 billion tenge (7th place in terms of net profit and 3rd place in terms of growth dynamics).

PROSPECTS OF ECONOMY DEVELOPMENT

According to the Forecast of socio-economic development of the Republic of Kazakhstan for 2024-2028, prepared by the Ministry of Economy of the Republic of Kazakhstan [2], in the medium term, the economy of Kazakhstan faces three development scenarios:

The baseline scenario provides for a gradual increase in the growth rate of the global economy, a decrease in the inflationary background, and stabilization in the financial and commodity markets. This scenario is calculated based on the oil price of $80 per barrel. As a result, the average annual growth of the economy will be 5.5%, including growth in the production of goods and services at an average level of 4.2% and 6.0%, respectively. Merchandise exports are expected to reach $83.6 billion in 2024 and increase to $96.5 billion in 2028. Imports will amount to $47.1 billion and will decrease to $45.3 billion in 2028. Economic growth will have a positive impact on increasing the budget revenues (excluding transfers). In 2024, the revenues are expected to be 15,251.7 billion tenge and will increase to 18,323.8 billion tenge in 2026.

2 According to the Forecast of Socio-Economic Development of the Republic of Kazakhstan for 2024-2028 dated 17 May 2023*

The optimistic scenario implies an improvement in global economic performance. A favorable situation on world markets and minimization of disruptions to global supply chains will lead to normalization and a rapid transition to the new realities of globalization. This scenario is calculated based on the assumption of the oil price of $90 per barrel. Average annual GDP growth will be 5.9%, including an average growth in production of goods of 4.2%, growth in production of services – 6.8%. Maintaining positive conditions on the commodity market and rising prices for food products will have a positive effect on the expansion of Kazakhstan exports. Under the optimistic scenario, the volume of goods exports will increase from $89.5 billion in 2024 to $103.2 billion in 2028. Imports in 2024 are expected to reach $51.7 billion and fall to $50.1 billion in 2028. Increased output growth in economic sectors will contribute to an increase in the Republican budget revenues. In 2024, the budget revenues are expected to be 15,675.8 billion tenge with an increase to 18,868.6 billion tenge in 2026.

The pessimistic scenario is characterized by the onset of an unfavorable situation caused by a slowdown in the process of developing countries' adaptation to volatility and the aggravation of trade and sanctions confrontations. In the pessimistic scenario, the price of oil will be $60 per barrel. Average annual economic growth will slow down to 4.4%, production of goods and services – to 3.7% and 4.6%, respectively. The fall in global demand and lower prices on commodity markets will negatively affect Kazakhstan's exports. In this scenario, goods exports will be $71.7 billion in 2024, increasing to $83 billion in 2028. The volume of imports in 2024 is expected to reach $42.5 billion, in 2028 – at $39.9 billion. The slowdown in economic development will restrain the growth of budget revenues. In 2024, revenues will amount to 14,266 billion tenge with an increase to 16,934.6 billion tenge in 2026.

3

review of results

MAUSOLEUM OF KHOJA AHMED YASAWI

RETAIL BUSINESS

RETAIL BUSINESS LOAN PORTFOLIO GREW BY 63%

12% — THE BANK SHARE IN THE CONSUMER LENDING MARKET OF KAZAKHSTAN

AUTO LOAN PORTFOLIO INCREASED BY 76%

ABOUT 600 THOUSAND PAYMENT CARDS ISSUED BY THE BANK IN 2022

CORPORATE BUSINESS AND SME

18.7 THOUSAND ACTIVE CLIENTS

THE VOLUME OF CORPORATE LOANS, INCLUDING SME, INCREASED BY 43%

SME LOANS INCREASED BY 95%

THE BANK TOOK THIRD PLACE IN TERMS OF INCOME FROM LETTERS-OF-CREDIT AMONG BANKS IN KAZAKHSTAN

DIGITALIZATION

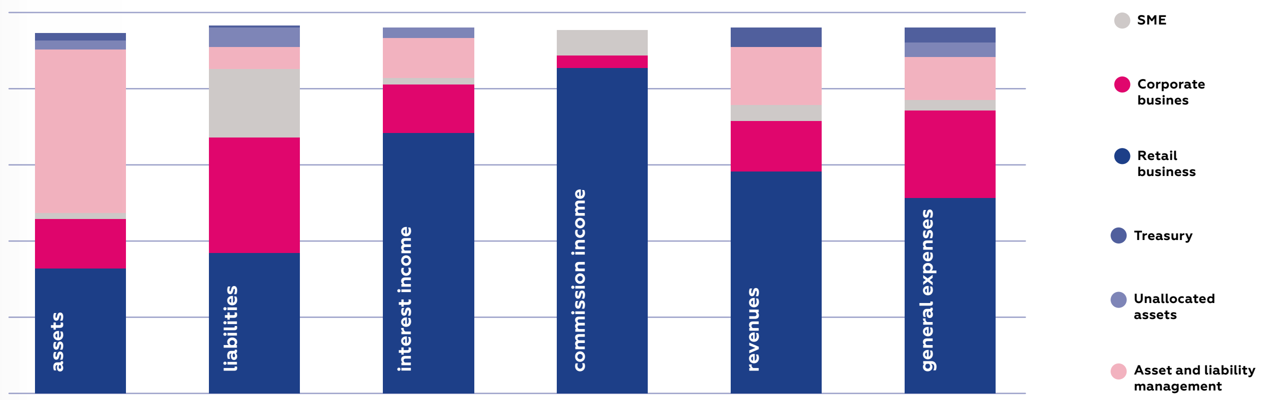
THE NUMBER OF ACTIVE SMARTBANK USERS INCREASED BY 30% OVER THE YEAR

BY THE END OF 2022, THE SHARE OF ONLINE LOAN APPLICATIONS AMOUNTED TO 79%

THE NUMBER OF TRANSFERS THROUGH THE APP INCREASED BY MORE THAN 60%

BUSINESS SEGMENTS

The Group analyzes performance across five different segments. Four segments are client facing business lines: Corporate, SME, Retail, and Treasury, with each segment having lending and deposit taking activity, and/or other income sources such as fees and commissions. The fifth segment is a support function: asset and liability management.



By the end of 2022, the share of **retail business** amounted to 30% (in 2021 – 30.5%) of assets and 42.1% (in 2021 – 37%) of liabilities.

As of 31 December 2022, this segment accounted for 67.7% (2021: 64.5%) of interest income and 87.4% of fee and commission income (2021: 88%). Interest income from the retail block increased by 61.1%, to 135.6 billion tenge, commission income – by 62.1%, to 41.6 billion tenge.

Revenue from the retail business in 2022 increased by 61.1%, to 236.9 billion tenge; the segment occupies a share of 54.6% in the overall income indicator (a year earlier – 57.3%).

In the structure of expenses, retail banking services account for 54.9%, a year earlier this figure was 50.9%.

The segment became the main driver of financial results at the end of 2022, increasing over the year by 92.1%, to 43.9 billion tenge.

The ratio of financial result to revenue for this segment in the reporting period amounted to 18.5% (15.5% – in 2021).

Corporate business accounts for 13.2% of assets and 27.9% of liabilities. A year earlier, these figures were 14.6% and 42%, respectively.

In 2022, the share of corporate business in revenue was at 16% (in 2021 – 17.9%). Interest income of the segment in the reporting period increased by 41.1%, to 32.9 billion tenge, commissions – by 2.2 times, to 2.3 billion tenge. In the structure of interest income, the segment occupies 16.4% (in 2021 – 17.9%), in commission income – 4.8% (in 2021 – 3.6%).

Corporate business accounts for 15.2% (a year earlier – 25%) of expenses.

In 2022, the segment's profit was at the level of 16.3 billion tenge against a loss of 14.9 billion tenge in 2021.

At the end of the reporting period, **SME** accounted for 2% of assets and 21.6% of liabilities. In 2021, the figures were 1.6% and 10%.

SMEs account for 8.9% of total revenue (5.5% in 2021). The segment profit at the end of 2022 increased 3.3 times and reached 17.8 billion tenge.

Treasury profit in 2022 amounted to 23.9 billion tenge, which is almost 5 times more than in 2021. The main activity of the Treasury is trading on the foreign exchange market on behalf of the bank and its clients. The Treasury is also involved in hedging and trading fixed income securities.

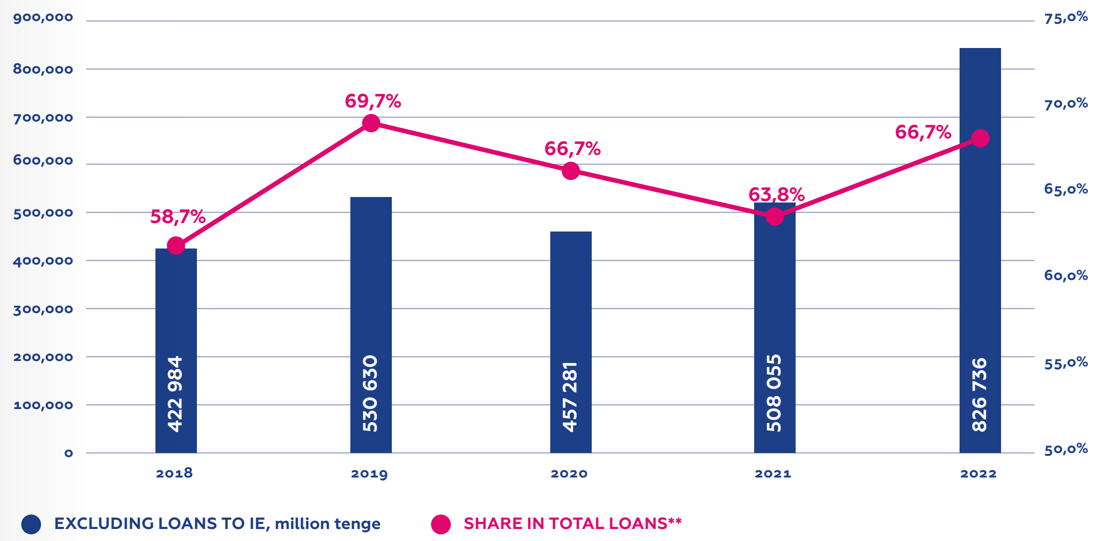
In 2022, the negative financial result **asset and liability management** segment amounted to 1.1 billion tenge versus the profit of 9.5 billion tenge a year earlier. Asset and liability management includes maintaining a portfolio of liquid assets (cash, nostro accounts with the NBRK and other banks, interbank financing (for up to 1 month), investments in liquid assets and managing the bonds issue.

RETAIL BUSINESS

In 2022, the share of retail business (excluding individual entrepreneur loans) in the Bank's loan portfolio increased to 66.7% from 63.8% in 2021.

The volume of retail loans (including individual entrepreneur loans) increased by 62.5% and amounted to 830.7 billion tenge, excluding individual entrepreneur loans showed an increase of 62.7%, to 826.7 billion tenge.

RETAIL* LOANS OVER 5 YEARS

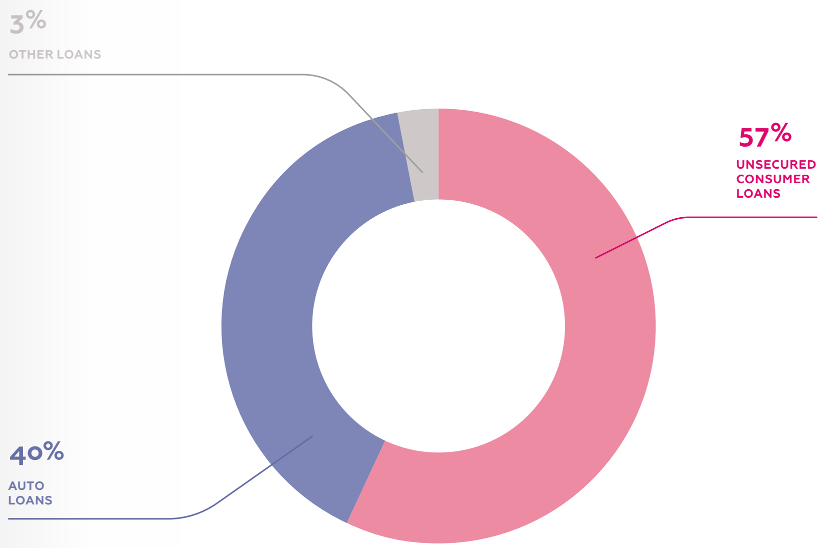


** Excluding loans for individual business activity*

*** The total portfolio includes loans to customers measured at amortized cost before provision for expected credit losses*

In the structure of loans issued to retail clients, the largest share is occupied by consumer loans (57%) and auto loans (40%), the rest account for about 3% of the portfolio.

STRUCTURE OF RETAIL LOANS, 2022



By the end of 2022, **unsecured consumer loans** occupied the share in the amount of 57% (in 2021 – 58.6%) in the Bank's retail portfolio. Their volume increased by 58%, to 473.5 billion tenge, despite growing competition in the market.

POS-LENDING

Last year, the Bank implemented the fastest decision-making process in the Kazakhstan market – in 4 seconds, and also launched lending for non-network partners using QR registration.

KEY INDICATORS FOR 2022:

- The volume of sales on credit through network partners increased 1.3 times, to 70.7 billion tenge, through non-network partners – by 11%, to 18.4 billion tenge.
- Profitability on network consumer lending increased by 6.8 percentage points – up to 8%, for non-network consumer lending decreased by 2.6 percentage points – up to 11.2%.
- The share of online applications in commodity lending increased from 42% in 2021 to 89% in 2022. The volume of applications increased by 3.4 times due to the launch of brokerage solutions and the development of the partner network and amounted to 4.6 million applications in 2022 versus 1.3 million applications in 2021.

CASH-LENDING

To develop this direction, the following projects were implemented in 2022:

- The product line in the online lending process in the Smartbank app was simplified;
- Interest rates were increased in the Payroll Loan segment, as well as for lending programs without insurance packages;
- The term of online lending in the Smartbank appl was increased to 72 months.

AUTO LOANS

The second largest direction in the Bank retail business is car loans. The volume of the auto loan portfolio increased by 75.9%, to 331.8 billion tenge. Loans under the Business Auto program decreased by 4,5%, up to 4.3 billion tenge.

KEY MARKETS IN WHICH THE BANK OPERATES:

- **The new car market.** In 2022, the Bank share in this market was 48% due to an increase in car sales on credit by 50%. The profitability in this direction was 4.6%.
- **Used cars market.** The Bank share in this market amounted to 30% by the end of 2022. The sales volume increased by 3.2 times, which is associated with the launch of flexible lending conditions, as well as the introduction of online loans for the purchase of cars between individuals and through the Bank dealer partners. The profitability in this direction was 10.5%.

IN ADDITION TO THE EXISTING PRODUCTS:

- The Bank was allocated the maximum limit among banks participating in the preferential auto loan program – 35 billion tenge;
- Promotional lending programs with downpayment from 0% were launched;
- There were introduced loans with installment options in the segment of new and used cars;
- The number of brands of Chinese cars was expanded, the loan amount was increased to 15 million tenge;
- Lending programs for new and used cars with KASKO on Credit were developed (with improved conditions for the Bank clients).

DIGITAL-DIRECTION

The Bank continued active digital transformation of its retail business. The Smartbank mobile app is the main digital channel of interaction with clients. By the end of 2022:

- The number of active Smartbank users increased by 30%, which exceeds 530,000 people, with a total number of authorized users of more than 2 million people;
- The number of app users who completed at least one transaction increased by 50%;
- The number of transfers that clients make per month has increased by more than 60%;
- The number of product openings through Smartbank (deposits, loans and cards) increased by more than 180%. As a result, 79% of all loan applications are received online and more than 50% of deposits are opened through the mobile app.

In 2022, IPS 2.0 transfers, transfers by Visa Alias phone number, loan payment with no fee in Eurasian Bank from cards of another bank were launched in the mobile app, the loan application process and other functions were improved.

CARD BUSINESS

The convenience and attractiveness of the Bank payment cards for customers is confirmed by the growing indicators in this segment:

- In 2022, the total card portfolio at the end of the year amounted to 1.762 million pieces;
- During the year, the Bank issued almost 600 thousand cards, of which 10% were credit cards, 90% were debit cards;
- The portfolio of active cards increased by 39% compared to the previous year;
- Demand for digital cards increased – more than 173 thousand were issued.

OTHER LOANS

The portfolio of mortgage loans in 2021 decreased by 15.7% and amounted to 7.5 billion tenge. In 2022, loans for individual entrepreneurship grew by 21.8% and amounted to 3.9 billion tenge due to the flow of clients from other banks.

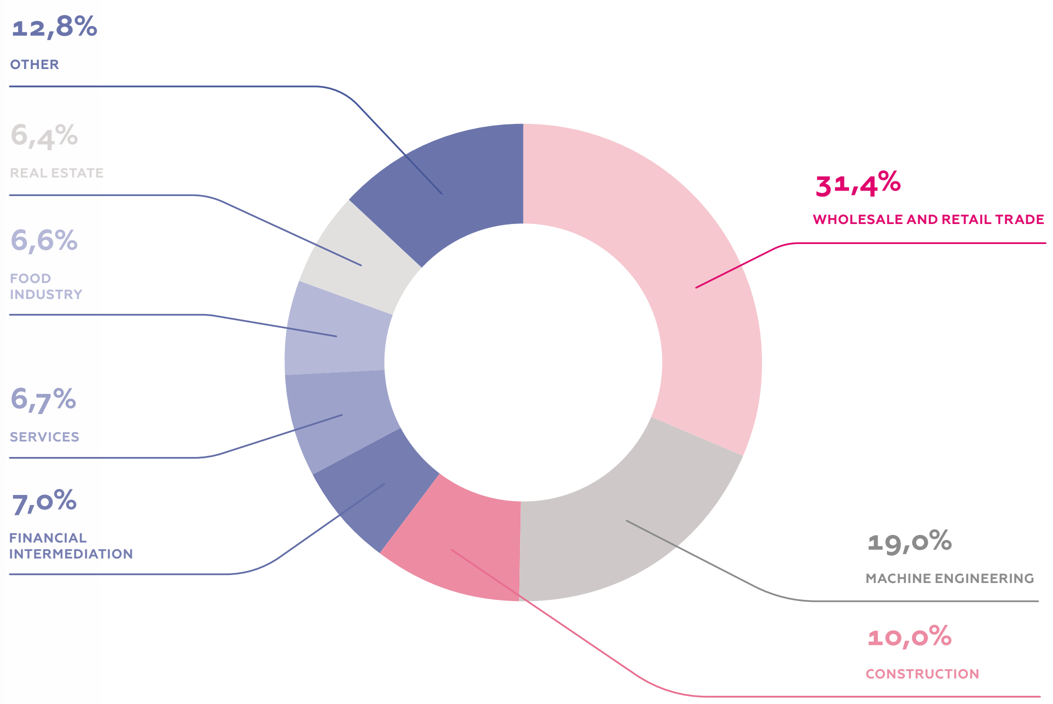
Building a digital ecosystem, presence of an extensive network of offices and sales channels, a base of bona fide borrowers, as well as significant market positions and prospects for their increase through a focus on digital channels make the retail direction quite attractive as part of the Bank's further development.

CORPORATE BUSINESS

At the end of 2022, corporate loans including SME accounted for 33% (a year earlier – 35.8%) of the total loan portfolio on a gross basis.

In 2022, the loan portfolio for corporate clients (including SME) grew by 43% and amounted to 408.4 billion tenge. Excluding SME loans, the corporate loan portfolio increased by 39.7% – to 373.7 billion tenge. Loans to small and medium-sized businesses increased by 95% and amounted to 34.7 billion tenge, which made it possible to increase their share to 8.5% (in 2021 – 6.2%).

CORPORATE LOAN PORTFOLIO STRUCTURE, 2022



Retail and wholesale trade remains the largest sector in the corporate loan portfolio, which by the 2022-year end occupies 31.4% (in 2021 – 27.8%). Loans issued to trade enterprises increased by 61.4%, to 128.2 billion tenge.

The volume of lending to companies in the mechanical engineering sector increased by 38.9%, to 77.7 billion tenge. These loans account for 19% of the portfolio.

The volume of construction lending decreased by 27.7%, to 41 billion tenge. The share of this sector decreased from 19.9% to 10%.

The sector of financial companies showed a significant increase – by 66.6%, the portfolio of loans issued to them amounted to 28.5 billion tenge.

The top five sectors also include companies operating in the service sector. Their volume increased by 39.7%, to 27.3 billion tenge.

The volume of financing of food production and real estate increased by 77.4% to 27.1 billion tenge and by 77.6% to 26.2 billion tenge, respectively.

Eurasian Bank is focused on the development of corporate lending, planning to become a major participant in this segment, as well as increase the volume of SME lending and develop a transactional business model. In this segment, the Bank focuses on deepening relationships with clients whose business models, financial condition and business reputation meet the Bank's high requirements. The Bank conducts targeted attraction of clients from areas of the economy in which the Bank has market-leading expertise. This strategy allows the Bank to respond flexibly and quickly to customer needs and keep the level of risk at an acceptable level.

In 2022, the Bank actively interacted with automakers, since this sector is key both in terms of the volume of lending to the business segment and the volume of non-interest income, and in terms of synergy with the Bank retail business. The Bank support for increasing car production is one of the basic factors in the development of the Bank retail auto lending, in which the Bank historically continues to hold a leading position in the second-tier market. Last year, Eurasian Bank increased the lending limits of the Allur Group of Companies (SaryarkaAvtoProm) and the Virage Group of Companies (Gazavto Kazakhstan), and attracted Aster Auto Group of Companies for financing.

The Bank does not aim to compete due to the cost of funding, paying special attention to the quality of customer service and the ability to respond quickly. Understanding the needs of the client, as well as the ability to quickly evaluate and make decisions, are often more important than low interest rates with slow decision-making.

SME

In this segment, the Bank adheres to a conservative risk-oriented loan policy aimed at working with SME borrowers, including within the framework of lending programs through the DAMU state fund.

Along with the classic financing of SME projects, the Bank pays attention to the development of products with simplified analysis. Last year, the Business Auto SME, Business POS, Business Loan products were modernized, and a new Business Light product was launched – a loan for small and micro businesses for financing the working capital with an amount of up to 5 million tenge.

The Bank maintains a strong position in the documentary business, offering all types of bank guarantees both within standard programs and specially designed programs, such as express tender guarantees, guarantees for the fulfillment of obligations in the framework of public procurement, guarantees for the repayment of advances against advances received in the future. The Bank issues electronic bank guarantees on all e-procurement portals. In 2022, the number of bid guarantees issued by the Bank increased by 18%.

The Bank continues to work in the field of trade finance, attracting new clients for documentary transactions and increasing the number of export letters-of-credit. The Bank profitability on letters-of-credit more than doubled, which allowed it to take third place in terms of income from letters-of-credit among second-tier banks in the Republic of Kazakhstan.

Last year, new services were launched for SME: online opening of an individual entrepreneur account, packages of settlement and cash services based on the number of transactions, a loan conveyor for SME was implemented, a business card and the Auto-Balancing service were launched.

4

Eurasian Bank

financial overview

BAIKONUR

PROFIT AND LOSS STATEMENT OVERVIEW

At the end of 2022, Eurasian Bank became one of the fastest growing in the market, demonstrating a significant increase in financial indicators.

The Bank consolidated **net profit** increased more than 6 times and amounted to 83.3 billion tenge. The main sources of income, in addition to lending, were revenue received from conversion transactions and card business.

Operations income increased by 123.2% – to 194 billion tenge. Profit before tax increased by 5.7 times – up to 107.5 billion tenge.

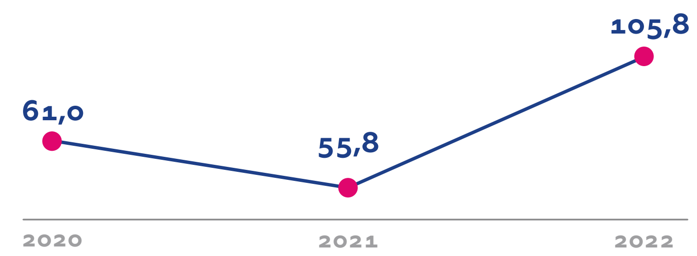
KEY INDICATORS OF THE PROFIT AND LOSS STATEMENT, MLN TENGE*	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2022 CHANGE
Interest income calculated using the effective interest method	190 303	119 366	120 842	59,4%	-1,2%
Other interest income	-	146	642	-	-77,3%
Interest expense	-84 528	-63 683	-60 512	32,7%	5,2%
Net interest income	**105 775**	**55 828**	**60 972**	**89,5%**	**-8,4%**
Net commission income	**33 427**	**21 938**	**18 861**	**52,4%**	**16,3%**
Operations income	**193 891**	**86 882**	**88 650**	**123,2%**	**-2,0%**
Losses from debt financial asset impairment	-36 305	-29 364	-46 879	23,6%	-37,4%
Yield/(Losses) from impairment with respect to loan commitments and financial guarantee agreements	-11	-172	271	-93,6%	-163,5%
Expenses on creation of evaluation liabilities	-	-3	-	-	-
Personnel expense	-33 088	-23 901	-19 816	38,4%	20,6%
Other general and administrative expense	-16 967	-14 744	-12 830	15,1%	14,9%
Yield/(Losses) prior to taxation	**107 519**	**18 699**	**7 265**	**475,0%**	**157,4%**
Income tax expense/(saving)	-24 199	-5 650	-477	328.3%	1084,5%
Yield/(Losses) for year	**83 320**	**13 048**	**6 788**	**538,6%**	**92,2%**

** In this chart and further, minor discrepancies between the total and the sum of the terms are explained by rounding up the data.*

Note: *All data is based on consolidated statements*

The Bank's **net interest income** in 2022 increased by 89.5% –to 105.8 billion tenge due to the loan portfolio growth.

NET INTEREST INCOME, BLN TENGE



At year-end, **interest income** amounted to 190.3 billion tenge, which is 59.4% more than in 2021. The main share (85.5%) in the interest income structure is occupied by loans issued to customers at amortized cost. This indicator grew by 65.6% to 162.7 billion tenge.

Income from investments at amortized cost also increased by 19.7%.

INTEREST INCOME, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Loans issued to customers at amortized cost	162 733	98 259	104 931	65,6%	-6,4%
Investments at amortized cost	11 195	9 350	6 408	19,7%	45,9%
Financial asset at fair value through other comprehensive income	8 105	10 248	6 925	-20,9%	48,0%
Cash and their equivalents	7 498	718	894	944,3%	-19,7%
Accounts receivable under reverse repo transactions	345	543	1 413	-36,5%	-61,6%
Accounts and deposits at banks	86	37	16	132,4%	131,3%
Other financial assets	340	212	256	60,4%	-17,2%
Interest income	**190 303**	**119 366**	**120 842**	**59,4%**	**-1,2%**
Other interest income	-	146	642	-100%	-77,3%
Interest income	**190 303**	**119 511**	**121 484**	**59,2%**	**-1,6%**

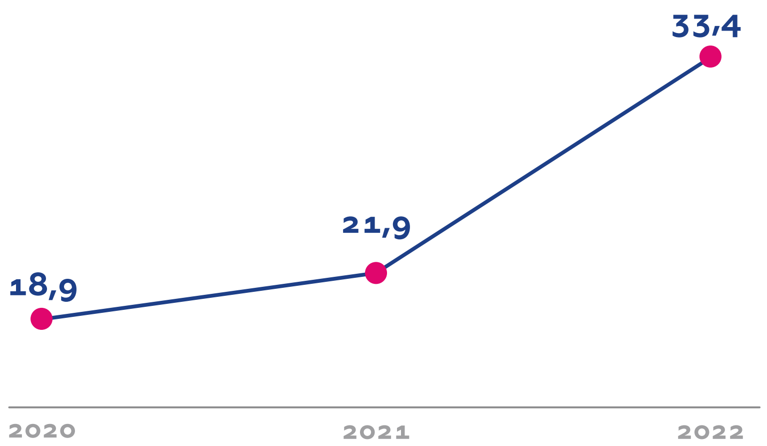
The Bank's **interest expenses** as of the end of the period totaled KZT84.5 bln, having increased by 32.7% during the period. The main share of interest expenses (80.3%) falls on current accounts and deposits of clients, which increased by 35.6% and amounted to 67.9 billion tenge, which is due to growth of the deposit portfolio.

The expenses on subordinated debt securities increased by 8%, debt securities – by 75.7%.

INTEREST EXPENSE, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Customer current accounts and deposits	-67 900	-50 079	-46 263	35,6%	8,2%
Subordinated debt securities issued	-12 008	-11 117	-10 375	8,0%	7,2%
Debt securities issued	-1 797	-1 023	-2 115	75,7%	-51,6%
Accounts payable under repo transactions	-1 656	-475	-567	248,6%	-16,2%
Other attracted funds	-841	-731	-869	15,0%	-15,9%
Rental obligations	-315	-259	-318	21,6%	-18,6%
Bank deposits and accounts	-11	-	-6	100%	-100%
Interest expense	**-84 528**	**-63 683**	**-60 512**	**32,7%**	**5,2%**

In 2022 **net commission income** increased by 52.4% – to 33.4 billion tenge due to growth of income from agency services and payment card services.

NET COMMISSION INCOME, BLN TENGE



Commission income in the reporting year increased by 63.2% and amounted to 47.4 billion tenge. A year earlier, this figure was 29 billion tenge.

Income from agency services amounted to 26.9 billion tenge, which is 48.9% more than in 2021. The Bank provides insurance agent services, offering life insurance policies of various insurance companies at its retail loan points of sale and receives an agency commission in proportion to the insurance premiums issued. The purchase of a life insurance policy is voluntary and is not a condition for obtaining a loan, therefore it does not affect the interest rate on the loan and is not considered part of the effective interest rate.

Last year there was an increase in commission income from servicing payment cards and settlement transactions by 104.7% and 62.4%, respectively.

COMMISSION INCOME, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Agent services	26 880	18 052	14 776	48,9%	22,2%
Payment card servicing	12 194	5 958	5 670	104,7%	5,1%
Settlement transactions	3 788	2 333	2 041	62,4%	14,3%
Cash withdrawal	1 836	1 304	1 358	40,8%	-4,0%
Guarantees and letters-of-credit issuance	574	468	793	22,6%	-41,0%
Custodian services	170	64	38	165,6%	68,4%
Collection services	27	26	28	3,8%	-7,1%
Other	1 909	829	592	130,3%	40,0%
Total	**47 378**	**29 034**	**25 297**	**63,2%**	**14,8%**

Commission expenses at the end of 2022 increased by 96.6% – to 14 billion tenge due to an increase in expenses for servicing payment cards by 99.8% – to 10.8 billion tenge, for settlement transactions – by 36.9% to 1.1 billion tenge and services of the state pension payment center and credit bureaus – by 118.9% to 1.1 billion tenge.

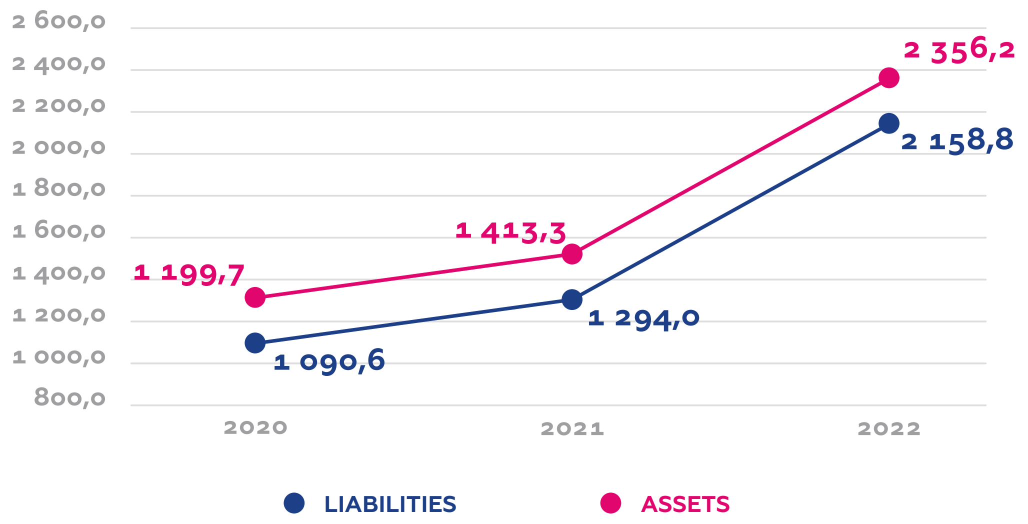
Due to the active growth of the Bank segments, operating expenses also increased: in 2022, personnel costs increased by 38.4% – to 33 billion tenge, other general and administrative expenses – by 15.1% to 17 billion tenge.

OPERATING EXPENSE, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Personnel expense	33 088	23901	19 816	38,4%	20,6%
Other general and administrative expense	16 967	14 744	12 830	15,1%	14,9%

BALANCE SHEET OVERVIEW

In 2022, the Bank **assets** exceeded the figure of 2.36 trillion tenge, which is 66.7% more than in 2021. The growth is due to an increase in the loan portfolio and liquid assets.

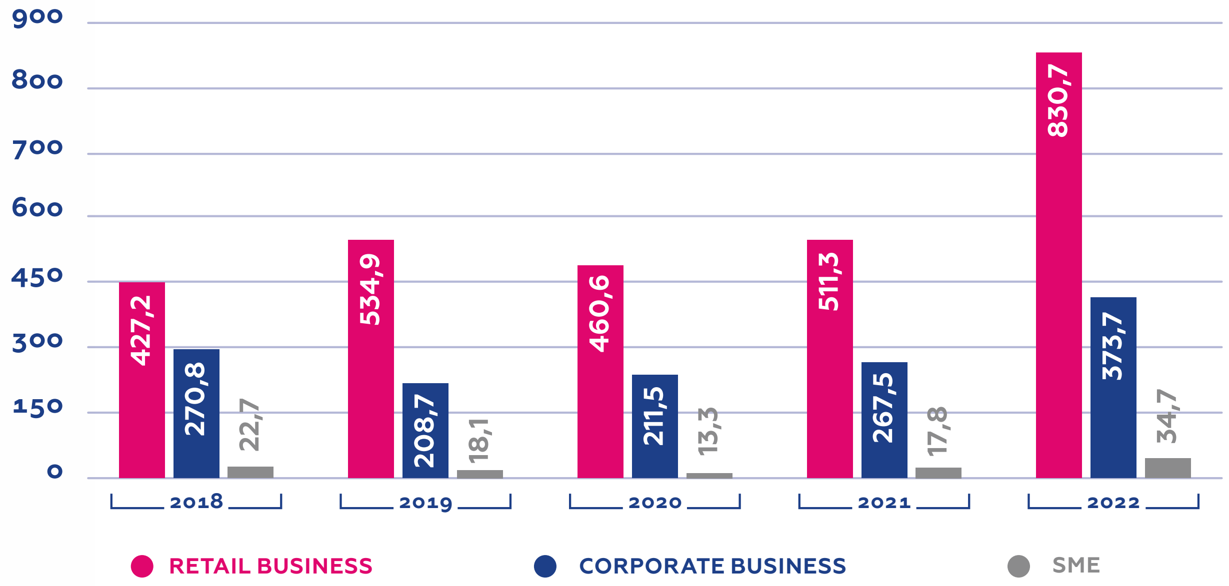
ASSETS AND LIABILITIES, BLN TENGE



BALANCE STRUCTURE, BLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Assets	**2 356,2**	**1 413,3**	**1 199,7**	**66,7%**	**17,8%**
Loans to customers	1 059,3	635,3	562,4	66,7%	13,0%
Cash and their equivalents	906,9	419,6	305,9	116,1%	37,2%
Other assets	390,0	358,4	331,4	8,9%	8,1%
Liabilities	**2 158,8**	**1 294,0**	**1 090,6**	**66,8%**	**18,7%**
Current accounts and deposits	1 931,0	1 136,4	952,9	69,9%	19,3%
Subordinated debt securities issued	74,7	70,3	66,6	6,3%	5,6%
Other liabilities	153,2	87,7	71,1	74,7%	23,3%
Equity	**197,3**	**119,3**	**109**	**65,4%**	**9,4%**

The loan portfolio on a net basis amounted to 45% of the Bank balance sheet at the end of the reporting period. In 2022, this figure exceeded 1 trillion tenge, increasing by 66.7%. In the portfolio structure, retail loans at amortized cost before provisions account for 67%, corporate loans – 30.2%, and SME loans – 2.8%.

BANK TOTAL LOAN PORTFOLIO BY SEGMENT OVER THE PAST 5 YEARS, BLN TENGE*

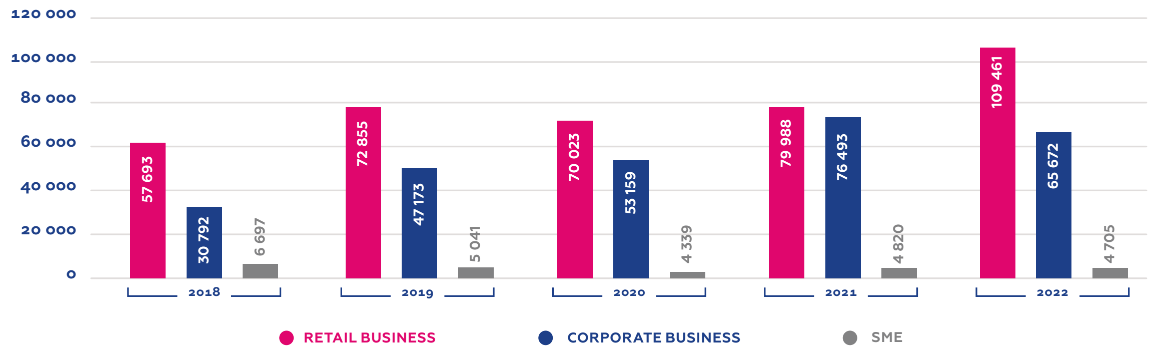


** Loans to customers assessed at amortized cost, prior to deduction of provisions for expected credit losses*

The Bank carefully evaluates the quality of the loan portfolio and creates the necessary provisions in a timely manner. **Provisions for expected credit losses on loans** issued in 2022, increased by 11.5% and amounted to 179.8 billion tenge.

LOANS, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Loans to customers assessed at amortized cost, prior to deduction of provisions for expected credit losses	**1 239 094**	**796 639**	**685 346**	**55,5%**	**16,2%**
Provisions for expected credit losses	-179 837	-161 301	-127 521	11,5%	26,5%
Total loans to customers assessed at amortized cost, less provisions for expected credit losses	**1 059 257**	**635 338**	**557 825**	**66,7%**	**13,9%**

IMPAIRMENT PROVISIONS BY SEGMENT, MLN TENGE



Liabilities of the Bank in 2022 increased by 66.8% – to 2,2 trillion tenge due to the growth of customer deposits. This item occupies 89.4% (a year ago 87.8%) in the liabilities.

In the reporting period, the volume of accounts and deposits in the Bank exceeded 1.9 trillion tenge, increasing by 70% over the period under review. In 2022, there was an active redistribution of deposits in the market due to the departure of two Russian banks, so clients chose Eurasian Bank for their savings.

The main part of the deposit portfolio consists of term deposits – 58%, current accounts and demand deposits – 42%. The latter grew 3.5 times in 2022 and amounted to almost 810 billion tenge.

All segments of the portfolio showed growth: deposits of retail clients increased by 77.7% and amounted to 874.4 billion tenge (45.3% in total), deposits of corporate clients – by 64% and exceeded 1 trillion tenge (54.7% in total volume).

CUSTOMER CURRENT ACCOUNTS AND DEPOSITS, MLN TENGE	2022	2021	2020	2022 / 2021 CHANGE	2021 / 2020 CHANGE
Current accounts and demand deposits					
Retail customers	269 356	94 533	81 140	184,9%	16,5%
Corporate customers	540 424	139 020	260 378	288,7%	-46,6%
Term deposits					
Retail customers	605 084	397 590	390 323	52,2%	1,9%
Corporate customers	516 115	505 238	221 033	2,2%	128,6%
Total	**1 930 979**	**1 136 381**	**952 874**	**69,9%**	**19,3%**

The Bank equity in 2022 amounted to 197.3 billion tenge, an increase of 65.4% over the year.

The amount of equity taken into account when calculating regulatory standards, as of 31 December 2022 increased by 27.5% and amounted to 334.6 billion tenge. The amount of the first-tier capital as of stated date amounted to 183.6 billion tenge, an increase of 65.3% over the year.

In its work, Eurasian Bank adheres to the policy of a stable capital base in order to maintain the trust of investors, creditors and the market, as well as to ensure the future business development.

By 2022-year results, **the capital adequacy ratios** are at a high level:

- coefficient k1 0.132 / in 2021 – 0.122
- coefficient k1-2 0.132 / in 2021 – 0.122
- coefficient k2 0.241 / in 2021 – 0.287

5

#eufamily. creating digital future

MAUSOLEUM
OF THE GOAT KORPESH
AND BAYAN SULU

PERSONNEL POLICY

bank staff – a team aimed at creating innovative and convenient solutions for customers

On 31 December 2020, the Board of Directors adopted the Eurasian Bank development strategy until 2024, according to which the Bank intends to become the best employer, so the management pays great attention to the development of corporate culture, creating conditions for career growth, professional training and disclosure of personal potential of employees.

The Bank's personnel activities are determined by the personnel policy approved by the Board of Directors. The Bank has a number of internal regulatory documents and instructions that regulate professional training, provision of social guarantees and benefits, as well as remuneration, rules for evaluating and awarding staff.

The personnel policy is developed in accordance with the Labor Code of the Republic of Kazakhstan, priorities defined by the resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12 November 2019 "On approval of the rules for formation of the risk management and internal control system for second-tier banks", the Charter of Eurasian Bank JSC, the Internal regulations policy, the Rules for management of internal normative documents.

HR policy is a holistic long-term strategy for human resources management, the main goal of which is to fully and timely meet the Bank needs for the required quality and quantity of human resources.

HR POLICY PRINCIPLES:

- focus on achieving the Bank strategic goals;
- creating conditions for efficient work of the Bank staff;
- fair and competitive remuneration of the Bank employees;
- involvement of competent managers in the Bank activities;
- exclusion of conflict of interests in the course of performance of the duties by the Bank managers and other employees;
- minimizing the risk of losing a key employee.

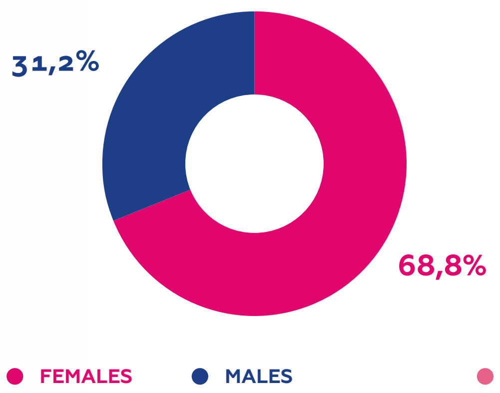
PERSONNEL STRUCTURE

- As of the 2022 year-end, the Bank had 5, 846 employees;
- 45.9% of employees are under 30 years of age;
- The percentage of women is 68.8% of the total team, which explains the large number of employees on maternity leave. In 2022, the number of employees on maternity and parental leave was 1,067;
- The personnel have a high level of education: 71.1% of employees have received higher or postgraduate professional education;
- The Bank personnel is multinational and includes not only citizens of Kazakhstan, but also other employees from other countries: Russia, Kyrgyzstan, Belarus, France, Germany, Lithuania, Turkey, Uzbekistan, Armenia.

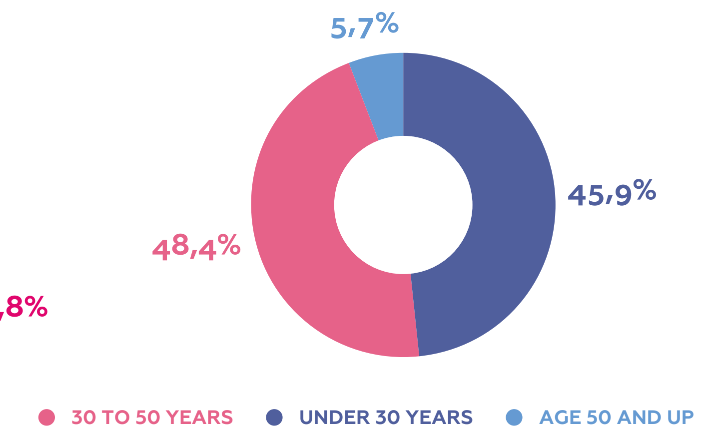
5 846 TOTAL NUMBER OF GROUP EMPLOYEES IN 2022

2 850 EMPLOYEES ACCEPTED IN 2022

BREAKDOWN BY GENDER



BREAKDOWN BY AGE



The Bank pays great attention to identifying the reasons that motivate employees to leave the Bank, which gives us the opportunity to work on employee retention and remain a competitive player in the market.

STAFF REMUNERATION SYSTEM

the bank creates comfortable working conditions for its employees, setting them competitive wages and providing them with a social package, as well as maintaining a favorable and creative atmosphere in the team and promoting employee training

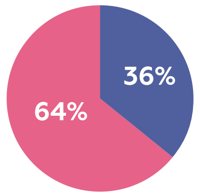
The system of financial incentives for labor is one of the most efficient management tools that can influence the performance of employees and the Bank as a whole. The financial incentive system set up in accordance with the Bank's strategic and tactical guidelines allows management to purposefully manage employee motivation and increase staff productivity.

The total remuneration system is defined in such a way as to ensure external competitiveness to attract and retain highly qualified professionals.

33.1 BLN TENGE WERE PERSONNEL COSTS IN 2022

86,2% OF EMPLOYEES PERFORMED WELL IN 2022 AND WERE REWARDED

SHARE OF BONUSES ACCRUED BASED ON THE RESULTS OF PERFORMANCE EVALUATION, BROKEN DOWN BY GENDER



● FEMALE ● MALE

Eurasian Bank's **remunerations system** is based on a fixed base salary and a bonus. The payment of bonuses to employees is a right of the Bank. The frequency of bonus payments to the Bank employees varies depending on the specifics of their work and can be annual, quarterly or monthly. The employees engaged in retail, corporate, private banking, debt collection, cash segments, customer experience services, collection and support are paid bonuses on a monthly and quarterly basis. The amount of bonus payments to employees depends, first of all, on the performance of business units, as well as on the achievement of key goals and objectives set for them. In addition, incentive programs are being implemented for the most successful employees, based on the results of which they are awarded valuable prizes.

Labor Relations. The admission of candidates for work at the Bank, as well as their transfer or termination of the employment contract are performed in accordance with the Labor Code of the Republic of Kazakhstan. The Bank has a conciliation commission that considers individual labor disputes based on incoming applications from the Bank employees.

The conciliation commission is a permanent collegial body created in the Bank on a parity (equal) basis from an equal number of representatives from the Bank and employees. All employees have the opportunity to file a complaint with the commission. There were no complaints against the Bank for violation of labor practices in the reporting year.

MOTIVATION OF EMPLOYEES

The Bank appreciates the enthusiasm. To ensure the continuity of the process of improving the efficiency of the Bank employees, one-time bonuses are paid for proposals aimed at improving the quality of services provided, reducing costs, as well as a new management solution that saves labor, material and financial resources or has a positive impact on the Bank's activities.

The Bank has a number of programs that allow marking outstanding employees. Among them: Eurasian Diamond, Best Outlet and Best Employee.

Within the framework of the Best Outlet program there was chosen the best outlet with the help of the customer evaluations. According to the results of each quarter, the top 5 best outlets are determined, and the winning outlet receives a certificate and the Eurasian Bank Best Outlet as Recommended by Kazakhstan Customers plate.

The Best Employee title is awarded to the employee who makes the most calls to customers and helps them solve their issues. Each quarter, three employees who receive monetary remuneration are identified. Once a year, the best employee is determined, and he/she receives a badge of distinction made of 585 gold.

The Bank encourages a healthy lifestyle. There is a free gym in Almaty, which can be used by all Bank employees in their free time. There are also tables for playing table tennis in the halls. At the same time, the Bank employees take part in sports events of the financial institute and citywide marathons with particular enthusiasm.

The Bank takes care of its employees. The Bank takes care of the health of its employees and provides a social package that includes medical insurance for employees in case of illness with service in one of the clinics throughout Kazakhstan. This insurance covers outpatient care, inpatient treatment, dental care, medical coordination, and other medical services. The Bank pays 95% of the insurance cost; the remaining 5% is deducted from the employees' salary. As part of this service, it is also possible to attach a spouse under 65 years of age, children from 1 year of age.

In addition, the Bank does not allow discrimination in any of its manifestations, in 2022, there were no such cases.

The Bank supports employees. Our employees have access to attractive preferential terms of service in the Bank partner network and material aid in difficult life circumstances.

PERSONNEL TRAINING AND DEVELOPMENT

quality training and development of personnel is a key factor in the motivation and competence of employees

Internal training. Since 2021, in the Bank there has been operating the Training Center structural subdivision. Its main task is comprehensive employee training, combining theory (offline trainings and distance prgorams) and post-training support (in the workplace).

At 2022 year-end, 3,363 employees were trained at the Training Center. The corporate training portfolio includes 25 training programs, including "Sales Course", "Work with Objections", "Management", "Leadership Academy", etc.

In addition, in the reporting year, the Employee-to-Employee Expertise internal training project was launched at the Bank's head office. Project participants developed and conducted trainings for employees on the topics: "How to use your winning mindset", "Risk-based approach to information security", "Personnel hiring. Competencies interview".

Last year, methodological developments were implemented to help retail employees, including the "Newbie Booklet", "Field Training Memo for Managers".

In 2022, there was created the Unified Knowledge Base – an electronic library for employee's self-training. All materials were updated, systematized, an attractive interface and convenient location were created.

Distance learning. Over the past year, approximately 8,480 employees completed distance learning. Among them, 3,567 employees were trained in the mandatory training of the Compliance and Internal Control Service, and 3,533 employees were trained in the basics of information security.

In 2022, more than 60 new programs were uploaded to the DLS, of which 20 programs within the "Cashier School", 6 new programs on information security.

External training. In 2022, more than 400 Bank employees took part in external training events, including in such areas as computer programs, PR, Marketing, Information security and information technology, etc.

SAFETY OF EMPLOYEES

the bank makes every effort to ensure the safety of employees and customers

The head office and branch network are equipped with fire extinguishing equipment in the required volume, and fire extinguishers are regularly recharged and fire hoses are rolled over.

In 2022, no injuries or occupational diseases received by the Bank employees in the performance of their duties were registered. A report on registration of accidents shall be provided under Form H-1 to state authorities in accordance with the Labor Code of the Republic of Kazakhstan, including information on fire safety.

6

corporate governance

THE CITY OF SAURAN

CORPORATE GOVERNANCE SYSTEM

the eurasian bank corporate governance system is a system of relations between shareholders, the board of directors, the management board and other involved parties

The Bank corporate governance is based on respect for the rights and legitimate interests of the Bank shareholders, improving the business reputation of the financial institution itself and is aimed at achieving the efficiency of its activities, including ensuring the growth of the Bank assets, creating jobs, and maintaining the Bank financial stability and profitability.

The Eurasian Bank corporate governance standards are based on the requirements of the law of the Republic of Kazakhstan "On Joint – Stock Companies" and are determined by banking regulations. The Bank monitors international achievements in corporate governance and regularly implements international best practices in corporate governance where applicable.

In order to comply with corporate governance principles, the Bank developed and implemented such internal regulations as the Regulations on the Board of Directors, the Regulations on the Management Board, the Personnel Policy, the Rules of Regulation of Conflict of Interests in the Bank, the Regulations on the Corporate Governance Service, which are designed to preserve the corporate governance basic principles and system.

OBSERVANCE OF THE CORPORATE GOVERNANCE CODE

the corporate governance code is designed to ensure a high level of business ethics in relations between the bank shareholder/s, its bodies and officials, as well as in relations between the bank (its bodies, officials and employees) with third parties and in order to protect the shareholder interests

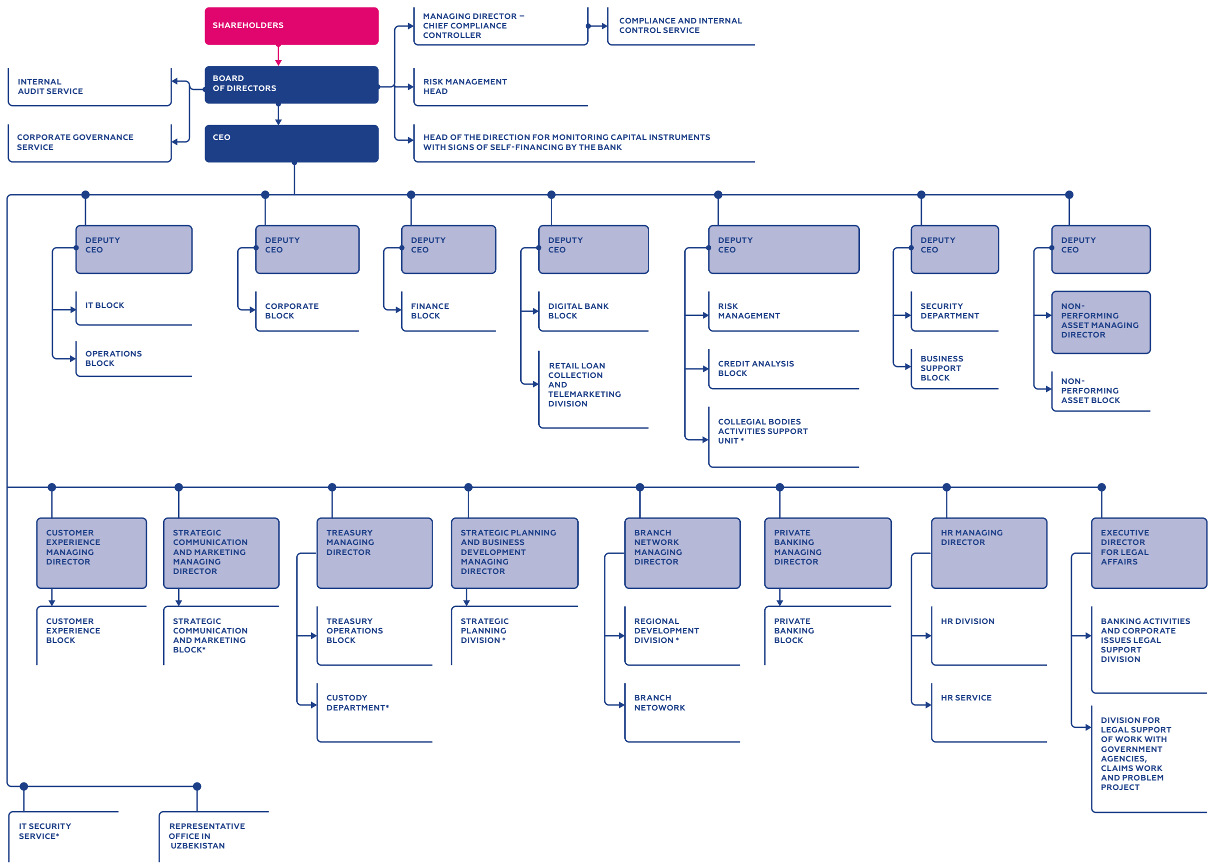
The Code was approved in a new version in June 2020 by Eurasian Financial Company JSC, the sole shareholder, which establishes the principles applied in the Bank management process, including relations between the Bank shareholder, the Bank Board of Directors, the Bank Management Board, senior employees and auditors, as well as relations between the Bank authorized collegial bodies, and other Bank officials, its structural subdivisions and employees.

THE CODE SETS OUT THE CORPORATE GOVERNANCE PRINCIPLES:

- the principle of protecting the rights and interests of the shareholder (-s);
- the principle of the efficient Bank management by the Board of Directors and the Management Board;
- the principles of transparency and objectivity of disclosure of information on the Bank activities;
- the legality and ethics principles;
- the efficient dividend policy principles;
- the efficient personnel policy principles;
- the corporate conflict regulation policy;
- the principle of compliance with the scale and nature of the Bank's activity, its structure, risk profile, business model.

The Board of Directors and the Management Board of the Bank confirm that the activities of the financial institution are conducted in accordance with the corporate governance principles, regulations and procedures outlined in the Corporate Governance Code. The Bank also intends to develop and improve corporate governance practices based on the best practices of the world level.

ORGANIZATIONAL STRUCTURE



*THE DIVISION IS A MONOFUNCTION

CORPORATE GOVERNANCE STRUCTURE

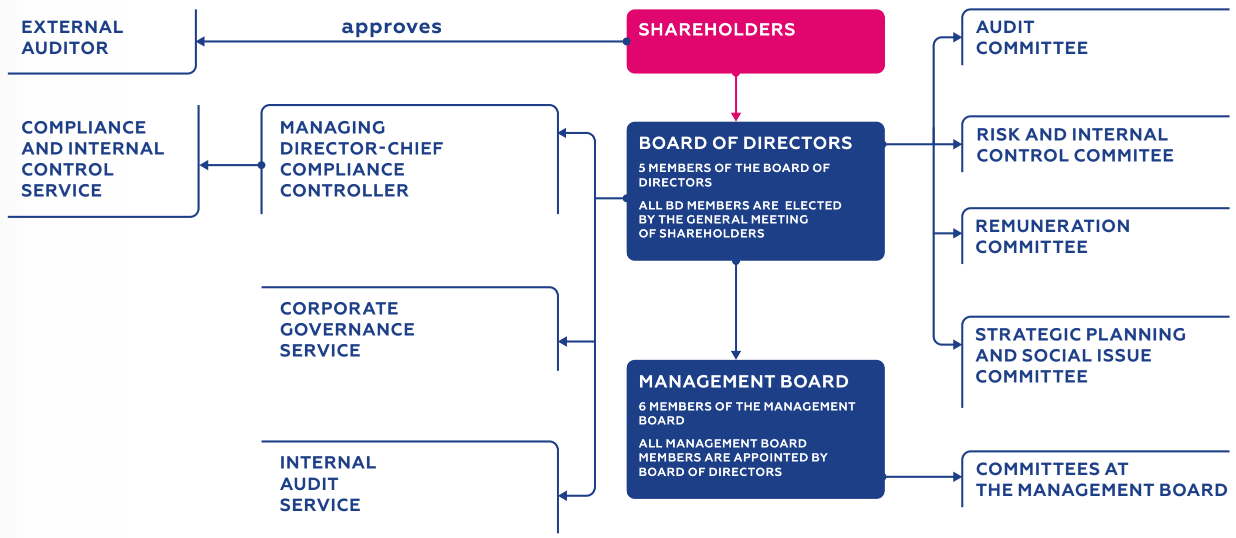
THE BANK BODIES ARE:

- superior body – the General Meeting of Shareholders;
- management body – the Board of Directors;
- executive body – the Management Board.

The Board of Directors has four committees that provide supervision, management, and decision-making in certain areas: the Strategic Planning and Social Issue Committee, the Audit Committee, the Risk and Internal Control Committee, and the Remuneration Committee.

To implement best corporate governance practices, the Board of Directors is assisted by external auditors, the Managing Director – Chief Compliance Controller, The Compliance and Internal Control Service, The Internal Audit Service, and The Corporate Governance Service, which is responsible for corporate governance issues, as well as the Head of the direction for monitoring capital instruments.

The Management Board established Committees and working groups that review major issues in each area of activity separately.



INFORMATION ABOUT SHAREHOLDERS

The Eurasian Bank JSC sole shareholder is the Eurasian Financial Company JSC with 100% participation. The ultimate beneficiaries in equal shares from 15 July 2021 are Mukadaskhan Ibragimova, Patokh Shodiev, Aleksandr Mashkevich, each of whom owns 33.3% of shares

As of 31 December 2022, the quantity of authorized ordinary shares of the Bank amounted to 2, 096, 038, 900 (2021– 2, 096, 038, 900 items) and 3,000,000 non-redeemable cumulative preferred shares (in 2021 – 3, 000, 000 preferred shares).

In 2021–2022, no shares were issued.

The issued and outstanding share capital consisted of the following fully paid-up ordinary shares as of 31 December 2022:

SHARES	2022 QUANTITY OF SHARES	2021 QUANTITY OF SHARES
Issued at 955.98 tenge	8 368 300	8 368 300
Issued at 1, 523.9 tenge	2 631 500	2 631 500
Issued at 1, 092 tenge	2 930 452	2 930 452
Issued at 6, 532.6 tenge	7 030 137	7 030 137
Total shares issued and outstanding	**20 960 389**	**20 960 389**

THE BOARD OF DIRECTORS

The Board of Directors provides general management of the Bank activities and is accountable to the General Meeting of Shareholders.

The Board of Directors performs overall management the Bank activities except for the issues referred by the Kazakhstan legislation and/or the Bank Charter to the exclusive competence of the General Meeting of Shareholders. The Board of Directors performs supervisory functions and determines the Bank priorities and development strategies. The Board of Directors is also responsible for making decisions on convening the annual and extraordinary general meetings of shareholders, on concluding major transactions and transactions with the Bank interest in it, excepting major transactions that are decided upon by the general meeting of shareholders of the Bank. The Board of Directors determines the quantitative structure and the term of office of the Board, election of its head and members, and early termination of their powers and other matters stipulated by the Kazakhstan legislation and/or the Bank Charter, not within the exclusive competence of the General meeting of shareholders.

To consider the most important issues and prepare recommendations to the Board of Directors, the Bank created four Committees, which are responsible for various aspects of banking activities and management organization. Consideration of issues may be within the competence of one or more Committees of the Board of Directors, with the exception of internal audit issues considered by a separate Committee of the Board of Directors.

The Chairperson of the Bank Board of Directors organizes the work of the Bank Board of Directors in accordance with the current legislation of the Republic of Kazakhstan, conducts its meetings, and performs other functions defined by the Bank's Charter and the regulations on the Board of Directors. All members of the Board of Directors perform their functions in accordance with the current legislation of the Republic of Kazakhstan, the Bank Charter, The Regulations on the Board of Directors and the Regulations on Committees at the Board of Directors of the Bank. In accordance with the current Kazakhstan legislation, the Bank provides for periodic (at least once a year) assessment of the activities of the Board of Directors and its members.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2022

In 2022, 106 meetings of the Board of Directors were held, during which issues related to the establishment of credit lines for the Bank clients, interested-party transactions, and business digitalization projects were reviewed and approved.

AMONG THE MAIN ISSUES THAT WERE CONSIDERED AND APPROVED BY THE BOARD OF DIRECTORS IN 2022:

- participation of Eurasian Bank in the Preferential Auto Loan Program in cooperation with Industrial Development Fund JSC, approved by Decree of the Government of the Republic of Kazakhstan dated 02 September, 2021 No. 604;
- establishment of the subsidiary organization (subsidiary bank) in the Republic of Uzbekistan;
- conclusion of the agreement on the procedure for transferring the instant payment system operator's fee within the framework of the Instant Payment System Project with the National Bank of the Republic of Kazakhstan Republican State Institution, Kazakhstan Center for Interbank Settlements of the National Bank of the Republic of Kazakhstan Republican State Enterprise with the Right of Economic Use, Aitu – Payment Solutions LLP;

- signing the application for joining the social wallet electronic money system and the agreement for the provision of services in the electronic money system for the payment of benefits and social payments from the state budget and (or) funds from the state social insurance fund.

THE COMPOSITION OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2022:

- ***Aleksandr MASHKEVITCH,*** *Chairperson of the Board of Directors;*
- ***Shukhrat Alidzhanovich IBRAGIMOV,*** *Member of the Board of Directors;*
- ***Inessa Cher-Khvanovna KIM,*** *Member of the Board of Directors, Independent Director;*
- ***Zhanbota Temirgaliyevich BEKENOV,*** *Member of the Board of Directors, Independent Director;*
- ***Vitaliy Nikolayevich REPEY,*** *Member of the Board of Directors, Independent Director.*

TOTAL: *5 members of the Board of Directors*

SHORT BIOS THE MEMBERS OF THE BOARD OF DIRECTORS

ALEKSANDR MASHKEVICH

- *Chairperson of the Board of Directors*
- *The ultimate beneficiary of Eurasian Bank JSC, owning 33.33% of the total number of outstanding shares of Eurasian Financial Company JSC*
- *Year of birth: 1954*

EDUCATION:

- *1976 – Kyrgyz State University named after the 50th anniversary of the USSR (Bishkek). He defended his PhD thesis on the topic of theory and history of pedagogy and psychology;*
- *1981 – recognized as the youngest candidate of science in his specialty in the Soviet Union;*
- *1981 – 1986 – Associate Professor, Dean of the Kyrgyz Pedagogical Institute.*

WORK EXPERIENCE:

- *November 2021 – current – Chairperson of the Supervisory Board of Eurasian Production Company LLP;*
- *2013 – current – Chairperson of the Board of Managers (Directors) Eurasian Resources Group S.a.r.l.;*
- *2010 – October 2021 – Chairperson of the Board of Directors of Eurasian Production Company JSC;*
- *2009 – current – Member of the Board of Directors, Chairperson of the Board of Directors of Eurasian Industrial Company JSC;*
- *2008 – current – Chairperson of the Board of Directors of Eurasian Financial Company JSC;*
- *2002 – current – President of the Eurasian Industrial Association, Chairperson of the Board of Directors of the Eurasian Natural Resources Corporation Limited company (ENRC ltd);*
- *1998 – current – Chairperson of the Board of Directors of Eurasian Bank.*

ADDITIONAL INFO:

- *2022 – was awarded the Merey Public Order by the Association of Financial Organizations of Kazakhstan ALE;*
- *2021 – awarded with the 1st degree Barys Order;*
- *2016 – Member of Foreign Investors Board at the President of the Republic of Kazakhstan;*
- *2011 – awarded with the 3rd degree Barys Order;*
- *2001 – awarded with the Qurmet Order.*
- *Membership in the Bank Committees: not a member to any Committee.*

SHUKHRAT ALIDZHANOVICH IBRAGIMOV

- *Member of the Board of Directors*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1986*

EDUCATION:

- *2004 – British School in Brussels;*
- *2007 – EBS (The United Kingdom, London);*
- *2007 – Beijing Language and Culture University (China, Beijing).*

WORK EXPERIENCE:

- *2022 – current – Chairperson of the Supervisory Board of Eurasian Group LLP;*
- *2021 – current – Member of the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., member of the Audit Committee, Remuneration Committee and Sustainable Development, Mergers and Acquisitions Committee at the Board of Managers (Directors) of Eurasian Resources Group S.a.r.l., member of the Supervisory Board of Eurasian Production Company LLP;*
- *2021 – 2022 – Vice-President of YABIAD Foreign Investors and Businessmen Association;*
- *2019 – current – Member of the Board of Directors of Eurasian Financial Company JSC, member of the Board of Directors of Eurasia Insurance Company JSC, Chairperson of the International Asian Film Festival (USA);*
- *2017 – current – Member of the Board of Directors of Eurasian Bank JSC;*
- *2015 – 2022 – Business Development Director of Eurasian Resources Group S.a.r.l. (Luxembourg);*
- *2015 – 2021 – Member of the Board of Directors of the Alliance Altyn Mining Company (Kyrgyzstan).*

ADDITIONAL INFO:

- *2022 – was awarded the Merey Public Order by the Association of Financial Organizations of Kazakhstan ALE;*
- *Membership in the Bank Committees: the Audit Committee, the Remuneration Committee and Risk and Internal Control Committee.*

INESSA CHER-KHVANOVNA KIM

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1966*

EDUCATION:

- *1988 – Kazakh Polytechnic Institute named after V. I. Lenin (Automated Management Systems)*
- *1997 – Market Institute at the Kazakh State Management Academy (Finances and Credit).*

WORK EXPERIENCE:

- *2017 – current – Member of the Board of Directors, Independent Director of Eurasian Bank JSC.*

ADDITIONAL INFO:

- *2022 – was awarded the Merey Public Order by the Association of Financial Organizations of Kazakhstan ALE;*
- *Membership in the Bank Committees: Chairperson of the Remuneration Committee and the Risks and Internal Control Committee.*

ZHANBOTA TEMIRGALIYEVICH BEKENOV

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1957*

EDUCATION:

- *1985 г. – Алма-Атинский институт народного хозяйства (факультет финансы 1985 – Alma-Ata National Economy Institute (Finances and Credit Faculty);*
- *2001 – London Business School, Accelerated Development Program for Managers.*

WORK EXPERIENCE:

- *2022 – current – Member of the Board of Directors, Independent Director of TURGAY-PETROLEUM JSC; Member of the Supervisory Board, Independent Director of Settlement and Financial Center for Support of Renewable Energy Sources LLP at the Ministry of Energy of the Republic of Kazakhstan;*
- *2020 – 2022 – Member of the Board of Directors, Independent Director of KEGOK JSC;*
- *2018 – current – Member of the Board of Directors, Independent Director of Eurasian Bank JSC.*
- *Membership in the Bank Committees: Chairperson of the Audit Committee and the Strategic Planning and Social Issues Committee, Member of the Risks and Internal Control Committee.*

VITALIY REPEY

- *Member of the Board of Directors, Independent Director*
- *Does not have a share in the capital of JSC Eurasian Bank, subsidiaries and affiliates*
- *Year of birth: 1976*

EDUCATION:

- *1998 – National University of Kyiv-Mohyla Academy (Bachelor's degree);*
- *2000 – National University of Kyiv-Mohyla Academy (Master's degree).*

WORK EXPERIENCE:

- *2020 – current – Head of Representative Office of TRENETU BV Limited Liability Private Company;*
- *2019 – current – Member of the Board of Directors, Independent Director of Eurasian Bank;*
- *2007 – 2019 – Economics Director of Investigations, Investments and Development LLP;*
- *2003 – 2006 – Corporate Finance Director at Brinkford CJSC;*
- *2000 – 2003 – Auditor at Arthur Andersen, Ernst & Young international auditing companies.*
- *Membership in the Bank Committees: Member of the Risks and Internal Control Committee.*

The composition of the Board of Directors after the reporting date remains unchanged.

Expertise	NUMBER OF DIRECTORS
BANKS AND FINANCES	5
OIL AND GAS AND MINING INDUSTRIES	2
OTHER ECONOMY INDUSTRIES	5
STRATEGIC VISION	5
CORPORATE GOVERNANCE	5
HR MANAGEMENT	5
AUDIT	2
ACCOUNTING	3

PROCEDURE FOR NOMINATION AND SELECTION OF CANDIDATES TO THE BOARD OF DIRECTORS

At nomination and selection of candidates for members of the Board of Directors, Committees at the Board of Directors, the Bank strictly follows the requirements of the legislation of the Republic of Kazakhstan and normative legal acts of the regulator, such as the Law "On banks and banking activity in the Republic of Kazakhstan, the Rules of issuance of consent to appointment (election) of senior employees of financial institutions, branches of banks-non-residents of the Republic of Kazakhstan, branches of insurance (re-insurance) dealers-non-residents of the Republic of Kazakhstan, bank holdings, insurance holdings, the Insurance Payment Guarantee Fund JSC, including requirements for senior employees of branches of non-resident banks of the Republic of Kazakhstan, branches of insurance (reinsurance) dealers-non-residents of the Republic of Kazakhstan, including criteria of impeccable business reputation, and a list of documents required for obtaining consent.

The main requirements for candidates: the candidate's impeccable business reputation, high professionalism and required work experience in the financial market, no conflict of interests at carrying out professional activities in a financial organization.

All the candidates before their appointment undergo a thorough preliminary study and analysis by the relevant responsible structural divisions of the Bank for compliance with the necessary requirements of the legislation of the Republic of Kazakhstan and internal normative documents.

In accordance with the requirements of the legislation of Kazakhstan, the sole shareholder of the Bank Eurasian Financial Company JSC determines the quantitative composition, period of powers of the Board of Directors, elects its members and prematurely terminates their powers, determines the amount and terms of payment of remuneration and costs compensation for performance of their duties.

HE BANK BOARD OF DIRECTORS AND QUALIFICATION REQUIREMENTS FOR ITS MEMBERS COMPLY WITH THE FOLLOWING REQUIREMENTS:

- the composition of the Board of Directors and its powers are sufficient for exercising efficient control;
- the Board of Directors consists of persons with the required qualifications, impeccable business reputation, and experience, which together are sufficient for the overall Bank management, according to the selected business model, operations scale, transaction type and complexity;
- members of the Board of Directors are focused on interaction, collaboration and critical discussion in the decision-making process;
- members of the Board of Directors perform their duties and make decisions in good faith, and minimize conflicts of interest.

PREVENTING CONFLICTS OF INTEREST

The Rules on Conflict-of-Interest Regulation approved by the Board of Directors of the Bank contain a list of efficient tools for controlling and regulating conflict of interest.

Currently, the work of the Board of Directors and authorized collegial bodies of the Bank (ACB) has built and effectively operates the system and appropriate procedures that allow the Board of Directors to monitor at an early stage the occurrence of factors that may lead to a conflict of interest in the future, as well as timely apply preventive measures, prevent a conflict of interest, effectively manage it in case of its appearance in the Bank activities. Conflict of interest prevention activities are based on the internal regulatory documents such as the Charter, the Code of Ethics and Business Conduct, the Corporate Governance Code, and the Rules for regulating conflicts of interest.

THE MAIN PRINCIPLES FOR MANAGING CONFLICTS OF INTEREST IN THE BOARD OF DIRECTORS ACTIVITIES, AND IN THE MANAGEMENT OF ACBS, ARE THE FOLLOWING:

- **legality** – members of the Board of Directors, employees of ACBs perform their activities in strict compliance with the Kazakhstan legislation, internal normative documents of the Bank;
- **professionalism** – members of the Board of Directors, employees of ACBs perform their activities on a professional basis, highly qualified specialists have access to this work;
- **independence** – members of the Board of Directors, employees of ACBs in the process of performing their professional activities do not admit bias, dependence on third parties, that may harm the Bank legal rights and interests;
- **conscientiousness** – members of the Board of Directors, employees of ACBs act with the prudence and car that is required of them, considering the Bank activity and business practices specifics, and approach implementation of their functions with due responsibility. Senior managers and Bank employees treat each other and the customers responsibly and fairly;
- **confidentiality** – members of the Board of Directors, ACBs employees do not disclose information at their disposal, related to banking, commercial secrecy, insider information, personal data, that became known to them by virtue of their official duties, except for cases, stipulated by the Kazakhstan legislation;
- **honesty** – members of the Board of Directors, employees of authorized collegial bodies should be open and honest in professional and business relations. The employee's desire to avoid conflict of interests in the course of performing their official duties is one of the corporate principles for the Bank employees, enshrined by the Code of Ethics and Business Conduct;
- **objectivity** – members of the Board of Directors, employees of authorized collegial bodies should not allow bias, conflict of interests, pressure by employees on other employees to change their professional or business judgement/opinion;
- **clear distribution** of functions, responsibilities and powers of risk management among all the structural subdivisions and Bank employees, and their responsibility taking into account minimization of conflict of interests.
- **irreconcilability** to any manifestations of conflict of interests in the activities of the ACBs and all the Bank employees.
- **systematic** activity of the Board of Directors of the Bank, other ACBs of the Bank in terms of the conflict-of-interest regulation process, as well as involvement of all the Bank employees in this process, made it possible to exclude any cases of conflict of interest in the activities of the Bank and its employees throughout 2022.

INFORMING THE BOARD OF DIRECTORS

Within the framework of efficient corporate governance and interaction of the executive body, a system has been introduced to inform the Board of Directors about violations of the requirements of the Republic of Kazakhstan legislation and the Bank internal regulatory documents in the course of banking activities, which is carried out by second-line defense subdivisions, whose functions include control procedures – such as the Compliance and Internal Control Service, the Risk Management Block, the Legal Service, the HR Service, the Security Department, Information Security Department and ensures the continuity of the Bank activities. An independent assessment of the Bank activities in terms of timely identification and reporting of risks and violations to the authorized bodies of the Bank is carried out by the Internal Audit Service.

THE MAIN GOALS WHEN INFORMING THE BOARD OF DIRECTORS ABOUT CRITICAL ISSUES (PROBLEMS) AND RISKS:

- timeliness;
- the system, based on the established periodicity and continuity;
- objectivity, reliability and relevance;
- materiality, the implementation of which may lead to the Bank financial stability deterioration.

COMMITTEES AT THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS HAS FOUR COMMITTEES THAT PROVIDE SUPERVISION, MANAGEMENT, AND DECISION-MAKING IN CERTAIN AREAS:

- Audit Committee;
- Risks and Internal Control Committee;
- Strategic Planning and Social Issues Committee;
- Remuneration Committee.

Each Committee carries out its activities within the framework of a document defining its powers, competence, as well as the principles of work, internal procedure for submitting reports to the Board of Directors, tasks facing the Committee members and term limits for members of the Board of Directors in the Committee. The Board of Directors provides for periodic rotation of members (with the exception of experts) of the Committees in order to avoid concentration of powers and promote new views.

The Board of Directors' Committees consist of members of the Board of Directors and experts who have the required professional knowledge to work on a particular Committee. Independent Directors head the Board of Directors' Committees.

AUDIT COMMITEE

Members: Bekenov Zh. T. (chair), Ibragimov Sh. A.

Competence: the main purpose of the Committee is to assist the Bank Board of Directors in carrying out its duties to improve the efficiency of the internal audit subdivision and interact with the external auditor on the quality of information provided about the Bank activities. The main tasks of the Committee are to ensure the completeness and reliability of the Bank financial statements provided to the Board of Directors, to supervise the activities of the IAS, to coordinate the process of the annual mandatory external audit of financial statements.

In 2022, 36 issues were considered.

RISK AND INTERNAL CONTROL COMMITTEE

Members: Kim I. Ch. – Kh. (chair), Bekenov Zh. T., Repey V. N., Ibragimov Sh. A.

Competence: the main purpose of the Committee is to assist in the implementation by the Bank Board of Directors of its responsibilities for building an efficient risk management and internal control system.

The main tasks of the committee:

1. development of risk management policies, procedures in the field of capital and liquidity management within the risk appetite level established by the Board of Directors and control of their implementation;
2. assessment of risks inherent in the Bank activities, and maintenance of the Bank risk profile relevance;
3. exercising control over:
- compliance with the risk appetite levels by the Management Board;
- the system functioning: internal control, market risk management, liquidity risk management, business continuity management, information technology risk management, information security risk management, compliance risk management, credit risk management, operational risk management, and other significant risks for the Bank (legal, strategic, reputational risks);
4. ensuring that there is a process for regularly monitoring the operational risk level;
5. ensuring availability of internal models and information systems for the Bank risk management, in order to ensure complete, reliable and timely financial, regulatory and management information;
6. assessment and control of ability to promptly raise funds from each funding source in order to assess efficiency of ensuring liquidity in the future.

In 2022, 90 issues were considered.

STRATEGIC PLANNING AND SOCIAL ISSUES COMMITTEE

Members: Bekenov Zh. T. (chair), Morozov V. V., Druzhinina N. M.

Competence: The Strategic Planning and Social Issues Committee develops, analyzes and monitors the implementation of the Bank's strategy, and ensures that the Bank's strategic plans comply with current market and economic conditions, risk levels, financial strength, and legal and regulatory requirements. The Committee also ensures the implementation of the budget and monitors its implementation. In addition, the Committee is responsible for creating an efficient social policy of the Bank and assessment of the Bank policies and other INDs of the Bank for their compliance with the strategy, the current market and economic situation, the Bank risk profile, including the approved risk appetite strategy, and legislative requirements.

In 2022, 23 issues were considered.

REMUNERATION COMMITTEE

Members: Kim I. Ch. – Kh. (chair), Ibragimov Sh. A., Gazyamova S. S.

Competence: The main objectives of the Committee are to assist the Board of Directors in carrying out activities to minimize conflicts of interest, form the Bank's organizational structure, and ensure efficient management of remuneration of the Bank employees and remuneration of members of the Bank's Management Board and employees accountable to the Board of Directors (with the exception of the Internal Audit Service employees and the head).

The main tasks of the Committee are to ensure the development of:

1. the Bank organizational structure draft, taking into account minimization of conflicts of interest;
2. procedures for managing conflicts of interest and mechanisms for its implementation;
3. policies on remuneration, accrual of monetary remuneration, as well as other types of material incentives for the Bank executives in accordance with the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 24 February 2012 No. 74 "On establishing Requirements for the internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for bank executives".

In 2022, 23 issues were considered by the Committee.

THE MANAGEMENT BOARD

The Bank Management Board is a collegial executive management body headed by the Chairperson, who provides general management of the Bank current activities.

The Management Board is a collegial executive body of the Bank exercising management of current activities of the Bank except for the issues referred by the legislation of Kazakhstan and this Charter to the competence of other bodies and officials of the Bank. The Board is responsible for operational control over the activities of the Bank, including transactions on behalf of the Bank in the order established by the legislation of Kazakhstan and the Charter of the Bank, ensures observance of the legislation of the Republic of Kazakhstan by employees of the Bank, considers and approves documents for the purpose of organizing the activities of the Bank and issues decisions (resolutions) and instructions binding on all Bank employees, and also performs other functions not within the competence of other bodies of the Bank, in accordance with the legislation of Kazakhstan, the Bank Charter and internal documents of the Bank.

ACTIVITY OF THE MANAGEMENT BOARD IN 2022

In 2022, 44 meetings of the Management Board and 155 absentee votes of the Management Board members were held. In total, 1, 007 issues were considered.

IN 2022 THE FOLLOWING CHANGES TOOK PLACE IN THE BANK MANAGEMENT BOARD:

- On 7 July, Naumov Aleksandr was removed from the Management Board.
- On 7 July, Gaziz Yermekov was elected as member of the Management Board, Deputy Chairperson of the Bank's Management Board.
- On 13 September, Valentin Morozov left the Management Board.
- On 28 October, Lyazzat Satiyeva was elected as the Chairperson of the Management Board.
- On 30 December, Ivan Belokhvostikov resigned from the Management Board.

MEMBERS OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2022:

- **Lyazzat Satiyeva,** *Chairperson of the Management Board*
- **Nataliya Druzhinina,** *Deputy Chairperson of the Management Board – member of the Management Board*
- **Sabyrzhan Bekbosunov,** *Deputy Chairperson of the Management Board – member of the Management Board*
- **Yerlanbek Kappar,** *Deputy Chairperson of the Management Board – member of the Management Board*
- **Gaziz Yermekov,** *Deputy Chairperson of the Management Board – member of the Management Board*

TOTAL: *5 members of the Management Board*

The members of the Management Board do not have a participation share in the capital of Eurasian Bank, subsidiaries and affiliates.

SHORT BIOS OF THE MEMBERS OF THE MANAGEMENT BOARD

LYAZZAT ADYLOVNA SATIYEVA

Chairperson of the Management Board

Year of birth: 1978

EDUCATION:

- Pavlodar State University (Finance and Credit)
- International Academy of Business (Management)

SHORT BIO:

Lyazzat Satiyeva oversees the Corporate and SME Block activities at Eurasian Bank.

She has many years of experience in the banking sector. Prior to joining Eurasian Bank, she held the position of Managing Director at ForteBank. Previously, for 10 years, she successfully managed SME financing at Kazkommertsbank. As Deputy Chairperson of BTA Bank, she participated in the BTA Bank and Kazkommertsbank integration project. She was awarded the 20 Years of Tenge government medal and the Honored Financier public order.

Year of introduction to the Management Board: 2020

NATALYA MIKHAYLOVNA DRUZHININA

Deputy Chairperson of the Management Board

Year of birth: 1972

EDUCATION:

- Kazakh National University named after Al-Farabi (Biology);
- Market Institute at the Kazakh State Management Academy (Finance and Credit).

SHORT BIO:

Natalya Druzhinina supervises the financial block at Eurasian Bank.

Ms. Druzhinina came to the banking sphere in 1995 to the position of an inspector for record keeping of the National Bank of the Republic of Kazakhstan. From 2004 to 2007, Natalya Druzhinina worked at the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations, where she was responsible for formation of the KPI and employees' incentives system and participated in development of the system for assessing profitability of subsidiaries. From 2007 to February 2018, Natalya Druzhinina worked at Sberbank SB JSC as Deputy Director of Budgeting and Planning Department, Deputy Director of Planning and Economic Department, Deputy Director of Finance Department, Director of Finance Department, where she took part in the development of business planning, economic motivation, management analysis, tariff policy, assessment of profitability of services, customers and products, in asset and liability management, as well as in expenditure management of the Bank.

Year of introduction to the Management Board: 2018

SABYRZHAN MADIYEVICH BEKBOSUNOV

Deputy Chairperson of the Management Board

Year of birth: 1954

EDUCATION:

- Kazakh State University named after S. Kirov (Legal sciences)..

SHORT BIO:

At Eurasian Bank, Sabyrzhan Bekbosunov supervises the security service. He has 39 years of experience in law enforcement. From 2003 to 2006, he served as Vice Minister of Justice of the Republic of Kazakhstan.

Mr. Bekbosunov is a State Counselor of Justice of the third class, a recipient of the awards – Order of Respect and Order of Glory of the second grade and the medals: Astana, For Distinguished Labor, 10 Years of Independence of Kazakhstan, 10 Years of the Constitution of the Republic of Kazakhstan, 10 years of Astana.

Year of introduction to the Management Board: 2018

YERLANBEK ZHANDARBEKULY KAPPAR

Deputy Chairperson of the Management Board

Year of birth: 1984

EDUCATION:

- Almaty State University named after Abay (Finance and Credit)

SHORT BIO:

Yerlanbek Kappar supervises the Treasury Transaction Block, including international relations, debenture and share stock issuance, and the Custodial Transaction Unit.

Started his career in the banking sector in 2005. During this time, he has gained extensive experience in various areas of banking, including retail business, SME, and collateral evaluation. Over the past 10 years, he has managed treasury subdivisions in a number of Kazakhstan banks. Joined the Eurasian Bank team in early 2019 as Managing Director of Treasury Transaction and ALM Block.

Year of introduction to the Management Board: 2021

GAZIZ MARATOVICH YERMEKOV

Deputy Chairperson of the Management Board

Year of birth: 1985

EDUCATION:

- Kazakh National Technical University named after K. I. Satpayev (Automation and Informatization in Management Systems)
- University of International Business (Finance).
- Innovative University of Eurasia (MBA)
- Management & Marketing Universal Business School (MBA General Management)

SHORT BIO:

Gaziz Yermekov supervises the development of information technologies and operating activities of the Bank.

He started his career at Tengizchevroil LLP and over the years worked at major financial institutions such as BTA Bank, Kaspi Bank, Electronic Finance Center, and Bank of China in Kazakhstan. He joined the Eurasian Bank team in February 2022.

Year of introduction to the Management Board: 2022

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AFTER THE REPORTING DATE:

Effective 26 January 2023, Ibragim Altamirov was elected as member of the Management Board and Deputy Chairman of the Management Board in accordance with the decision of the Board of Directors.

INFORMATION ABOUT REMUNERATION

Remuneration of members of the Board of Directors is determined and approved by the General Meeting of Shareholders. Remuneration of members of the Management Board is set by the Board of Directors based on recommendations of the Remuneration Committee. The amount of remuneration for employees of services accountable to the Board of Directors is determined by the Board of Directors. It is the responsibility of the Chairperson of the Management Board to determine the amount of remuneration for all other employees.

By the 2022-year results, the amount* of remuneration paid to members of the Board of Directors amounted to 379.7 mln tenge, and to members of the Management Board – 913.4 mln tenge.

** excluding social tax, social and mandatory medical contributions*

SUBSIDIARIES AND AFFILIATES

AS OF 31 DECEMBER 2021, THE BANK OWNS SHARES IN THE TWO COMPANIES:

EURASIAN PROJECT 1 LIMITED LIABILITY COMPANY

Participation share: 100%

Types of activities: acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.

Legal and actual addresses: The Republic of Kazakhstan, Almaty, Alimzhanov Str., 41.

*The first head: **Mukushev Timur Tyulyubayevich** (Director)*

Investments in 2022: No investments were made in the authorized capital.

EURASIAN PROJECT 2 LIMITED LIABILITY COMPANY

Participation share: 100%

Types of activities: acquisition of doubtful and hopeless rights of claim of the parent Bank, acquisition of movable and immovable property and (or) ownership of objects under construction from the parent Bank, management of acquired assets, including leasing, financial leasing and sales.

Legal and actual addresses: The Republic of Kazakhstan, Almaty, Alimzhanov Str., 41.

*The first head: **Furtsev Ivan Anatoliyevich** (Director)*

Investments in 2022: No investments were made in the authorized capital.

INTERNAL CONTROL AND AUDIT

To conduct a comprehensive independent assessment of the efficiency of internal control, corporate governance and risk management systems, the Bank has established the Internal Audit Service.

The main activity of the Internal Audit Service (IAS) is to provide the Board of Directors with independent and objective guarantees and advice aimed at improving the Bank's risk management, internal control and corporate governance systems.

THE IAS:

- reports directly to the Board of Directors and interacts directly with its members;
- acts as an important part of internal control and risk management systems;
- uses a risk-based approach at development of audit plans and programs.

IN ITS ACTIVITIES, THE IAS ADHERES TO:

- The International Bases of Professional Practice of Internal Auditing developed by the Institute of Internal Auditors (The Institute of Internal Auditors Inc.);
- The Code of Ethics;
- The legislation of Kazakhstan, normative legal acts of the NBRK;
- The Charter of the Bank, decisions of collegial bodies of the Bank, the Bank's INDs;
- The Regulations on the IAS.

In 2021, in accordance with the International Internal Audit Standards, the IAS successfully passed an external independent assessment of the effectiveness of internal audit.

COMPLIANCE CONTROL

The Bank created and efficiently operates the Bank's Compliance and Internal Control Service, which exercises systematic control over the compliance of the Bank activities with all the requirements of the legislation of the Republic of Kazakhstan, internal normative documents of the Bank (hereinafter referred to as INDs), instructions of the regulator, as well as the legislation of foreign countries that influence the Bank activities.

In order to manage compliance risk of the Bank in accordance with the requirements of the resolution of the Management Board of the NB RK dated 12 November 2019 No. 188 "On approval of the Rules of formation of risk management and internal control system for second-tier banks, branches of non-resident banks of the Republic of Kazakhstan" and in accordance with the Annual Work Plan of the Compliance and Internal Control Service approved by the Board of Directors of the Bank, the necessary control measures, including those of preventive nature, aimed at efficient management of compliance risk, are being taken.

The Compliance and Internal Control Service is systematically transferring the Bank's compliance risk management process to an automated basis using the appropriate modules and programs of the Bank. Automation of the Bank's compliance risk management process is currently a priority task for the subdivision.

Based on the results of activities in 2022, the Bank's Compliance and Internal Control Service entered the TOP-3 best compliance subdivisions among 22 second-tier banks of the Republic of Kazakhstan in the rating of the Agency of the Republic of Kazakhstan for Financial Monitoring in terms of the efficiency and effectiveness of the process organized in the Bank in respect to financial monitoring of the Bank clients' operations.

The Compliance and Internal Control Service responds to external risk factors to eliminate reputational risk, including international economic and blocking sanctions of OFAC SDN of the USA, EU and of other countries.

Taking into account that sanctions are extraterritorial in nature for the purpose of protecting customers from potential application of secondary sanctions and blocking of money, the Bank adopted rules and implemented the required procedures to carefully check customers, their transactions and operations for compliance with the sanction regimes imposed by certain states and took measures to terminate relations with correspondent banks that are listed in blocking sanctions.

The Bank took the necessary preventive measures to ensure that the Bank does not interact with entities subject to international sanctions, as well as the risk of the Bank's involvement in schemes aimed at circumventing such sanctions.

In order to avoid reputational risks, the Bank fully complies with its obligations to correspondent banks in terms of enhanced check of payments and transfers made by customers.

Due to the adoption by the Compliance and Internal Control Service of timely preventive control measures, the development of appropriate proposals and recommendations to minimize compliance risk in the Bank and their implementation in the activities of the Bank subdivisions, throughout 2022 it was possible to ensure compliance with the minimum values of the amount of acceptable risk appetite established by the authorized body of the Bank for this type of risk.

The Compliance and Internal Control Service organized an effective process of identifying and excluding facts of conflict of interests in the activities of the Bank subdivisions and employees in the Bank activities. For these purposes, the Bank applies the developed Code of Ethics and Business Conduct, as well as the Rules for Regulating Conflicts of Interest. Based on the results of the Bank activities in 2022, no conflicts of interest were identified in the activities of the Bank employees.

The Compliance and Internal Control Service maintains a list of insiders and related persons of the Bank, the Register of the Bank related persons, and maintains these registers up-to-date, which made it possible in 2021 to exclude any cases of violation of the requirements of the legislation of the Republic of Kazakhstan by the Bank when the Bank entered into transactions with related persons.

The Compliance and Internal Control Service regularly organizes training among the Bank employees, including remotely, on compliance risk management, and also, in accordance with the personnel training and education program on AML/CFT issues, conducts training for hired employees on the Introductory Program and for all the Bank employees under the Basic Program with subsequent testing, in accordance with the training plan approved by the Managing Director – Chief Compliance Controller.

The Compliance and Internal Control Service performs systematic checks to identify potential and realized compliance risks in the Bank activities for various types of business processes, followed by the development of recommendations for minimizing and/or eliminating the Bank risks, as well as the reasons and conditions contributing to their emergence. The Compliance and Internal Control Service is directly involved in the development and implementation of new banking products/services/procedures in the Bank activities, which undergo mandatory compliance examination before entering the financial market.

In order to combat money laundering and the financing of terrorism, the Compliance and Internal Control Service implemented a number of improvements in the Bank payment modules for their integration with the compliance control system, including checking customer transactions within the requirements of combatting anti-money laundering and the financing of terrorism, as well as the Bank risk-based approach in real time (online) and post-control (offline), automation of control of operations in the AML Financial Monitoring System software and automation of reporting in the Bank accounting systems.

The Bank has a "Hot Line" for customers to send appeals and complaints about violations of the requirements of the legislation of the Republic of Kazakhstan, the Bank's internal procedures in the provision of banking services. The Bank clients always have an opportunity to send a complaint in several convenient ways: by phone specified on the website, through the Bank Call Center, in written form through the Bank Office, by sending a complaint directly to the Bank's Compliance Service, at the address posted on the Bank website in the Compliance Control section.

All the complaints and appeals are registered in the Complaints Monitoring System and are put under control for execution.

INFORMATION ABOUT DIVIDENDS

The Bank adheres to the principle of efficient dividend policy

Payment of dividends in Eurasian Bank is built on reliable information about the conditions for accrual and payment of dividends based on the real situation of the Bank business. The Bank adheres to the transparency of the mechanism for determining the dividend amount and the procedure for its payment.

The Bank is guided by the Bank Charter at dividend payment. The Bank Charter determines the Bank's general objectives on protection of the legitimate interests of the shareholder (shareholders), ensure the growth of the Bank capitalization, and the general conditions of the dividend policy.

By the decision of the sole shareholder, no dividends were declared or paid on the Bank own shares during 2020, 2021, 2022.

Designation	2020	2021	2022
Balance value of an ordinary share / tenge	4 815,42	5 301,3	9 014,59
Consolidated balance value of an ordinary share / tenge	4 871,89	5 372,84	9 090,3

INFORMATION POLICY AND INTERACTION WITH RELATED PARTIES

RELATIONSHIP WITH SHAREHOLDERS

The system of interaction with shareholders and investors in the Bank is designed to maintain information transparency of the Bank activities.

As part of its information policy, the Bank adheres to the principles of transparency, regularity, consistency, efficiency, accessibility and accountability, and takes into account the rights and interests of shareholders and other related parties. The Bank ensures efficient participation of shareholders in making key decisions in its activities within the framework of corporate governance and provides shareholders with reliable information about the results of its financial and economic condition.

Information about the Bank activities is provided to the Bank shareholders by posting it on the Bank corporate Internet resource.

RELATIONSHIP WITH ARDFM AND KASE

The Bank makes every effort to maintain full mutual understanding with the regulator – the Agency for Regulation and Development of Financial Market

The Bank has an open approach to discussing issues and always participates in industry-wide working groups and forums organized by the Agency for Regulation and Development of Financial Market, in order to ensure that the regulatory environment in Kazakhstan continually improves and that the aims of the regulator can be realized in an effective and practical manner. The regulator performs periodic thematic and comprehensive reviews of banks to ensure that they are in compliance with all applicable regulations and laws. The Bank works closely with the regulator to ensure that its recommendations are implemented as quickly and as effectively as possible.

The Bank, on a periodic basis approved by the legislative acts of the Republic of Kazakhstan, provides the regulator with its profit and loss statement, balance sheet and loan portfolio quality indicators. These data are published by the National Bank of Kazakhstan on its website (www.nationalbank.kz).

In addition, as the Bank's bonds are listed on the KASE, it is also subject to certain reporting and information disclosure requirements by KASE (www.kase.kz).

RELATIONSHIP WITH THE POPULATION, COMMERCIAL COMPANIES AND MASS MEDIA

The Bank regularly and promptly publishes information related to its activities on its website www.eubank.kz where the Bank's customers and partners can read about the changes in the Bank activities, services, products, financial indicators, ratings and other information.

For requests and complaints, the Bank has a customer support subdivision, which is designed to help resolve issues of interested parties. Requests and complaints are sent to the Bank through various channels: corporate website, contact center, social networks, e-mail or postal address.

All requests and complaints from customers are registered in the request monitoring system, then they are sent to the performer (the subdivision responsible for the customer's issue), and then the request is investigated. Its goal is to solve problems in a timely manner. After verification, a response is sent to the customer (if a written request – a written response, if a verbal request – a response is provided by email, and if there is no mail – by phone).

The response is provided to customers within 15 calendar days and in cases where additional information is required from other entities, officials, or on-site verification, the review period is extended, which is reported to the customer.

In the processing of complaints, the Bank is governed by the Law of RK "On the order of considering requests from physical and legal persons" and the Resolution of the Management Board of the NB RK dated 28 July 2017 No. 136 "On approval of the Rules of provision of banking services and consideration by banks, organizations conducting separate types of banking operations, customer cases arising in the provision of banking services" and the internal normative documents of the Bank, including the Rules on General terms of transactions".

7

Eurasian Bank

social report

BOROVOE

- **Eurasian Bank positions itself as a responsible participant in the country's financial market and is aware of its influence on stakeholders at all levels (clients, employees, partners, shareholders, society) in the field of ESG (environmental, social and corporate governance).**

- **For three years, the Eurasian Bank team has been actively promoting the environmental and social agenda, taking part in many projects related to the implementation of sustainable development goals, in particular, social support for socially vulnerable families, as well as reducing and compensating the carbon footprint in Kazakhstan.**

ENVIRONMENTAL RESPONSIBILITY

Eurasian Bank is the only bank in Kazakhstan that issues the Eco-card made from recycled plastic together with the Mastercard international payment system.

The Eco-card enables each client to support greening and waste sorting in the country. Eurasian Bank sends 0.5% of bonuses from non-cash transactions for using the Eco-card to the Eurasian Environmental Fund (EEF) for the implementation of environmental projects. Additionally, the Bank awards 0.5% bonuses to the client for contactless payments via Google Pay, Apple Pay, Samsung Pay. The more payments made with the Eco-card, the more additional funds the Bank allocates to environmental programs.

Thanks to a partnership project to reduce the carbon footprint in Almaty, tree alleys were planted in the recreational area of the Esentai River, trees were planted on the territory of two new schools in Astana No. 91 and Bilim Innovation Lyceum.

ECO-FRIENDLY BANKING

The Bank is also actively working to create an environmentally friendly banking service. This means that by developing remote service channels and online payments, the Bank gradually reducse the use of plastic and paper and optimally uses irreplaceable resources.

- The Bank is expanding more environmentally friendly payment methods – customers can make contactless payments using Google Pay, Apple Pay and Samsung Pay;
- The Bank issues digital cards that reduce the number of plastic cards. In 2022, Eurasian Bank issued more than 173 thousand digital cards;
- Today, 79% of all loan applications are received online, and more than 50% of deposits are opened online.

GREEN OFFICE

Since March 2021, the Bank has been collaborating with Econetwork on waste sorting and implementing the Green Office principles. Special boxes for separate waste were installed at the Head Office and the capital city branch.

In total, 1,672 kg of waste (waste paper, glass, plastic and aluminum) were recycled in 2022. Thus, the Bank saved 26 trees from cutting down only waste paper, saving 51,294 liters. water, 7,504 kW of electricity, reduced CO2 emissions by 4,360 kg. *

The Eurasian Bank internal portal regularly posts materials on the basic principles of environmental behavior and "green" rules for sorting waste, which employees can read at any time. As part of the environmental initiative, the Bank actively adheres to paperless document flow, and a number of internal processes were transferred to electronic format, which eliminates the use of paper.

The Bank continues to work on saving energy consumption and switching to LED lamps. In 2022, electricity savings at the Head Office amounted to 378,641 kW (including 193,380 kWh saved due to the installation of LED lamps). Also, thermal energy consumption in 2022 was reduced compared to 2021 by 80.28 Gcal, and for cold water – by 871 cubic meters.

Data taken from the Company statistics on econetwork.green

EMPLOYEE VOLUNTEER INITIATIVES

As a responsible employer, the Bank developed a number of in-house training programs for employees, which are improved and updated on a regular basis. Particular attention is paid to internal corporate volunteering and employee participation in social events. In particular, the Bank introduces additional values into the work environment, increasing the social responsibility of employees, including the opportunity to save the Bank resources, which becomes part of everyday life.

In 2022, the employees of the Bank branches actively participated in subbotniks (cleanup days) and planted trees.

In June 2022, the employees of the Eurasian Bank branch in Astana, together with representatives of the EEF, cleared the kilometer-long coastline of the Ishim River from garbage, timed to coincide with World Environment Day. More than 100 bags of garbage were sent to the landfill for sorting. Some, including plastic, cans and glass bottles, are sent for recycling.

SOCIAL PROJECTS OF THE BANK

The Bank takes an active part in social projects aimed at supporting socially vulnerable categories of citizens, developing the culture and health of the nation.

- In 2022, Eurasian Bank wrote off existing loans to clients who lost their homes as a result of fires in the Kostanay region. As a support for the region residents, the Bank transferred financial assistance to the Kaiyrymdylyk (Kindness) KZ Unified Fund.
- In 2022, the Bank employees provided assistance to the Solnyshko (Sun) orphanage in the form of food and medicine.
- The Bank traditionally supported the Road to School Project. In 16 branches, the employees purchased stationery for 200 children from low-income families.
- On the eve of the Nauryz holiday, the employees in the regions provided charitable assistance to low-income families.

ESG-ORIENTED PRODUCTS

Joint charitable activity with clients can be constant and efficient if you use banking products for this purpose. In addition to the Eco-card, starting in 2021, Eurasian Bank is issuing a special metal Visa card, Spectrum, for wealthy clients of its Diamond Club private banking. From each transaction with this card, the Bank sends 0.5% of the amount to the Give Children Life charitable project of the Mercy Voluntary Society “” (MVS). At the end of 2022, the total amount of receipts from the Eurasian Bank clients amounted to 26.3 million tenge. These funds were used to provide surgeries for 20 Kazakh children. Thus, the Bank clients are involved in the social project through the only premium Visa card in Kazakhstan with a charitable function.

PRODUCT RESPONSIBILITY

There were no cases of non-compliance of Eurasian Bank JSC with the requirements of laws and codes in relation to the impact of services rendered on health and safety, in relation to information and labeling on the properties of products (products, services rendered), in relation to marketing communications, including advertising, promotion and sponsorship in 2022.

Eurasian Bank does not sell products that are prohibited in certain markets and that raise questions for stakeholders or are the subject of public discussion. As a socially responsible company, the Bank provides excellent service and decent level of service to its customers.

The Bank uses the net promoter score (NPS) to measure the quality of products and services. In all matters, the Group is guided by the principle of forming a socially sustainable society. The Group does not participate in financing environmentally harmful industries, and when making lending decisions it takes into account the environmental impact of projects.

8

Eurasian Bank

risk managemen

MEMORIAL COMPLEX
OF KARASAI AND
AGYNTAI BATYRS

RISK MANAGEMENT POLICY AND PROCEDURES

Risk management is at the core of banking activities and is an essential element of the Bank operations. Market risk, credit risk, liquidity risk and operational risk are the main risks that the Bank faces in the course of its operations. The main task of financial risk management is to determine the risk limits and further ensure compliance with the established limits. Operational and legal risk management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

IN THE RISK MANAGEMENT, THE BANK APPLIES THE THREE LINES OF DEFENSE CONCEPT:

- initial analysis on the part of the issuing subdivision;
- analysis on the part of the controlling subdivision (risk management subdivision, legal department, compliance service, etc.);
- revision and independent evaluation of the Bank risk management system efficiency.

The Bank annually conducts a procedure for identifying and evaluating key risks, based on the results of which the Board of Directors establishes risk appetite standards.

The Bank risk management policy is aimed at identifying, analyzing and managing the risks to which the Bank is exposed, setting risk limits and appropriate controls, as well as continuously assessing the level of risks and their compliance with the established limits. The risk management policies and procedures are reviewed on a regular basis to reflect changes in the market situation, the banking products and services offered, and emerging best practices.

The Board of Directors is responsible for proper functioning of the risk management control system, for managing key risks and approving risk management policies and procedures, as well as for approving major transactions. The Risk and Internal Control Committee preliminarily reviews these issues and requests the Board of Directors to consider and/or approve these issues.

The Management Board is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank operates within the established risk limits. The responsibilities of the management of risk management subdivisions include general risk management and monitoring compliance with the current legislation, as well as monitoring the application of general principles and methods for detecting, evaluating, managing and reporting both financial and non-financial risks. The management of risk management subdivisions reports directly to the Chairperson of the Management Board and, indirectly, through the Risk and Internal Control Committee, to the Board of Directors.

Credit and market risks, as well as liquidity risk, are managed and controlled by the Credit Committee, the Market and Liquidity Risk Management Committee (MLRMCO), both at the portfolio level as a whole and at the level of individual transactions. To improve the efficiency of the decision-making process, the Bank created a hierarchical structure of credit committees depending on risk exposure type and amount.

Both external and internal risk factors are identified and managed within the Bank. Particular attention is paid to identifying the entire list of risk factors and determining the level of sufficiency of current risk mitigation procedures. In addition to the standard analysis of credit and market risks, risk management subdivisions monitor financial and non-financial risks by holding regular meetings with operational subdivisions in order to obtain expert assessment in certain areas.

MARKET RISK MANAGEMENT

Market risk is probability of financial losses on balance sheet and off-balance sheet items due to adverse changes in the market and expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments and goods. Market risk includes currency risk, interest rate risk, and price risk.

Market risk is managed at the portfolio level. The task of managing this risk is to manage and control that the market risk exposure does not exceed acceptable parameters, while ensuring optimization of the revenue received for the risk accepted.

MLRMCO is responsible for market and liquidity risk management. MLRMCO reviews market risk limits based on the recommendations of the Risk Management Block and submits them for approval by the Management Board and the Board of Directors.

The Bank manages market risk by setting limits on the open position in relation to the amount of the portfolio for individual financial instruments, the timing of changes in interest rates, currency position, and loss limits. The Bank regularly monitors such positions, which are updated and approved by the Management Board and the Board of Directors.

In addition, the Bank uses various stress tests to model the possible financial impact of certain exceptional market scenarios on individual trading portfolios and overall position. Stress tests allow you to determine the potential amount of losses that may occur in extreme conditions. Stress tests used by the Bank include stress tests of risk factors, in which each risk category is subjected to stressful changes, as well as special stress tests that include applying possible stressful events to the individual positions.

Interest rate risk management based on an analysis of the timing of interest rate revisions is supplemented by monitoring the Bank's net interest margin sensitivity to various standard and non-standard interest rate scenarios.

The Bank also uses the value at risk ("VaR") methodology to manage market risk by its trading positions.

CREDIT RISK MANAGEMENT

Credit risk is the probability of losses due to non-fulfillment by the borrower or counterparty of its obligations in accordance with the terms of the Bank loan agreement.

The Bank manages credit risk (for recognized financial assets and unrecognized contractual obligations) through the application of approved policies and procedures that include requirements for setting and complying with credit risk concentration limits.

The Bank created a system of Authorized collegial bodies with a certain limit of authority, whose functions include making decisions related to credit risk and credit risk management.

In addition, to control the level of credit risk, the Bank has internal normative documents regulating all processes related to the Bank acceptance of credit risk, which are approved by the Management Board and/or the Board of Directors of the Bank. In addition, the Bank developed processes for monitoring the implementation of the INDs requirements by each employee/subdivision.

THE BANK'S CREDIT POLICY DETERMINES:

- loan application review and approval procedures;
- borrower credit rating methodology (corporate and retail);
- counterparties, issuers and insurance companies credit rating methodology;
- proposed security evaluation and methodology;
- loan documentation requirements;
- procedures of continuous monitoring of loans and other credit risk-related products.

Prior to making a decision on accepting credit risk, the Bank customer applications are reviewed by the Bank services involved in the process of analyzing the borrower's financial situation (analyst conclusions are based on a structural analysis of the borrower's business and financial situation), the customer's legal standing (legal expertise of title documents, the competence of signatories, the correctness of the customer's corporate decisions, and other aspects of legal risks as part of credit risk), and the customer's reliability and business reputation assessment, as well as examination of the collateral value.

After checking all the above aspects of the customer's application, the Risk Management Block conducts an independent risk assessment, which results in a conclusion that reflects the risks inherent in the borrower's business and the proposed transaction structure and provides recommendations for minimizing the Bank risks. In addition, the Risk Management Block conducts an examination of the Bank customer's application for compliance with the Bank Credit Policy and the requirements of the legislation of the Republic of Kazakhstan.

The authorized collegial body makes decisions based on the conclusions of the Bank internal subdivisions.

To minimize credit risks during the entire term of the customer's financing, the Bank constantly monitors the status of loans and regularly reassesses the solvency of its borrowers. Revaluation procedures are based on an analysis of the borrower's financial statements as of the last reporting date and/or other information provided by the borrower or otherwise obtained by the Bank. The current market value of collateral is also regularly assessed by independent professional appraisers, whose reports are reviewed by the Bank specialists, or the assessment is performed by the Bank specialists independently, taking into account all legal requirements in the valuation area. If the market value of collateral decreases, the borrower is required to provide additional collateral.

Individual loan applications are considered using ABIS, the Bank decision-making system, which includes a scoring model and other procedures for verifying the data in the loan application developed by the Risk Management Block together with other structural subdivisions of the Bank. In addition to the credit analysis of individual borrowers conducted by the credit risk and collateral assessment subdivision, the Risk Management Block also evaluates the loan portfolio as a whole with respect to credit concentration of the loan portfolio.

The maximum level of credit risk is generally reflected in the balance value of financial assets in the unconsolidated financial statements and in the amount of unrecognized contractual obligations. The ability to offset assets and liabilities is not essential to reduce potential credit risk.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the probability of financial losses arising because of the Bank's failure to timely meet its obligations without significant losses. Liquidity risk occurs when the maturities of assets and liabilities do not correspond. The coincidence and/or controlled discrepancy in the maturities and interest rates of assets and liabilities is a fundamental point in liquidity risk management. Due to the variety of transactions performed and the uncertainty associated with them, it is not common practice for financial institutions to fully match the maturities of assets and liabilities. This discrepancy makes it possible to increase the profitability of transactions, but at the same time increases the risk of losses.

The Bank maintains the required liquidity level to ensure that funds are always available to pay for its obligations as they become due.

The Bank strives to actively maintain a diversified and stable structure of funding sources consisting of issued debt securities, long-term and short-term loans from other banks, deposits from major corporate customers and individuals, as well as a diversified portfolio of highly liquid assets in order to enable the Bank to respond quickly and without sharp fluctuations to unforeseen liquidity requirements.

The ALM subdivision monitors the liquidity position on a daily basis, and the Risk Management Block regularly conducts "stress tests" taking into account a variety of possible market scenarios, both in normal and unbeneficial conditions. The ALM subdivision receives information from divisions about the liquidity structure of their financial assets and liabilities, as well as about the forecast of cash flows expected from the planned business in the future. Forecasting is performed on a short-and medium-term horizon, tactical steps are envisaged at each time interval of planning, taking into account the possibility of using various sources of funding, including external attraction and various ways of placing temporarily available funds. Based on the forecast of expected inflows and outflows of funds, the ALM subdivision evaluates the liquidity deficit/excess, as well as performs an operational forecast of liquidity ratios.

The Bank management regularly receives information about the liquidity position. The frequency of providing information depends on the state of the Bank liquidity at any given time. Under normal market conditions, reports on the state of liquidity are provided to senior management on a weekly basis. The information provided is sufficient for an adequate assessment of the Bank liquid position as a whole and in certain areas (currencies, customers, etc.), which also allows the collegial bodies and structural subdivisions of the Bank to make an informed decision regarding the Bank's ability to meet its liquidity needs and completely and timely fulfill its obligations.

In accordance with the legislation of the Republic of Kazakhstan, depositors have the right to withdraw their term deposits from the Bank at any time, and in most cases, they lose the right to receive accrued interest income.

However, the management believes that regardless of availability of early withdrawal option and the fact that a significant portion of deposits are demand accounts, diversification of these accounts and deposits by the number and type of depositors, as well as the Bank past experience, indicates that these accounts represent a long-term and stable source of funding.

The management expects that cash flows for certain financial assets and liabilities may differ from those indicated in the agreements, either because the management is authorized to manage the cash flows, or because experience indicates that the timing of cash flows for these financial assets and liabilities may differ from the contractual timing.

THE MANAGEMENT BELIEVES THAT THE FOLLOWING FACTORS REDUCE THE LIQUIDITY GAP FOR UP TO ONE YEAR:

- Analysis by the management of the behavior of term deposit owners during the last three years indicates that the offer of competitive interest rates provides for high level of renewal of term deposit agreements.
- As of 31 December 2022, the remaining amounts on the accounts and deposits of related parties, the maturity of obligations of which occur within one year, amount to 309, 400, 468 thousand tenge (2021: 406, 388, 901 thousand tenge). The management believes that term deposit agreements will be extended when their obligations mature, and withdrawal by the customers of significant amounts from their accounts will be coordinated as part of the Liquidity Group objectives.

OPERATIONAL RISK MANAGEMENT

Operational risk is the probability of losses resulting from inadequate or insufficient internal processes, human resources and systems, or the impact of external events, with the exception of strategic risk and reputational risk.

The purpose of operational risk management in Eurasian Bank is to ensure that the accepted risk is maintained at an acceptable level, in accordance with the strategic objectives, as well as to maximally conserve the assets and capital based on potential loss reduction (exclusion), and to ensure that the operational risks are measured using qualitative and quantitative systems for assessing them.

The operational risk management process is an integral part of the business management process and is a set of tools established by the Rules of the National Bank of the Republic of Kazakhstan No. 188, which provides a mechanism for interaction of internal procedures, processes, policies, and structural divisions of the Bank developed and regulated by the Bank, allowing timely identification, measurement, evaluation, monitoring and control of the level of operational risk, thereby minimizing the impact of significant risks on the Bank, as well as ensuring its financial sustainability and stability of its functioning.

COMPLIANCE RISK MANAGEMENT

Compliance risk is the probability of occurrence of losses due to non-observance by the Bank and its employees of the requirements of the civil, tax, banking legislation of the RoK, the laws of the RoK on state regulation, control and supervision of financial market and financial organizations, the RoK legislation on currency regulation and currency control, payments and payment systems, on pensions, on the securities market, accounting and financial reporting, on credit bureaus and formation of credit files, about collection activities, on compulsory insurance of deposits, on counteraction to legalization (laundering) of illegally obtained income, the financing of terrorism, on joint-stock companies, the Bank internal documents regulating the procedure for rendering services by the Bank and conducting transactions in the financial market, as well as legislation of foreign states that affects the Bank activities.

The Compliance and Internal Control Service constantly carries out systematic work to ensure compliance of the Bank activities with all requirements of the legislation of the Republic of Kazakhstan and the regulator in matters of compliance risk management.

The Compliance and Internal Control Service coordinates all the development and improvement of the Bank's compliance risk management system and the development of the required measures to manage compliance risk, including preventive ones, in order to reduce its level and degree of influence on the Bank activities.

Compliance risk management process is a constant, continuous and systematic process performed by all the participants in the compliance risk management system as part of their functional activities.

THE MAIN GOALS AND OBJECTIVES OF THE COMPLIANCE AND INTERNAL CONTROL SERVICE ARE:

- ensuring compliance with the legislation of the Republic of Kazakhstan, as well as the legislation of foreign countries that influence the Bank activities, internal normative documents of the Bank and the requirements of the regulator in the Bank activities and each of its employees;
- ensuring compliance with the legal rights and interests of the Bank clients, implementing timely and efficient control by the compliance subdivision in order to prevent possible violations of the legal rights and interests of the Bank clients in the process of receiving financial services;
- efficient management of the Bank's compliance risk in order to reduce the degree of its influence on the Bank activities, ensuring the Bank's protection from adverse consequences in case of violation or non-fulfillment/partial fulfillment of the requirements of the compliance procedures;
- preventing any opportunities and attempts to use the Bank for the purpose of committing financial crimes, such as money laundering and the financing of terrorism, by introducing efficient control and verification measures when financial transactions are conducted by the Bank clients, as well as in the process of establishing business relations with them;
- continuous improvement of the level of compliance culture among all the Bank employees by forming in the minds of each Bank employee a conscious intransigence to any manifestations of violations of legal requirements, internal normative documents of the Bank and regulator's requirements in the course of the Bank activities;
- ensuring the implementation of efficient procedures for eliminating conflicts of interest in the activities of the Bank employees at all levels when performing their functions;
- increasing the attractiveness of the Bank in the financial market and its positioning among current and potential clients as a financial organization that strictly observes compliance procedures in its activities aimed at ensuring the legal rights and interests of the Bank clients.

THE COMPLIANCE AND INTERNAL CONTROL SERVICE APPLIES AN INTEGRATED AND SYSTEMATIC APPROACH TO THE IMPLEMENTATION OF CONTROL PROCEDURES IN THE BANK ACTIVITIES, AIMED AT REDUCING THE LEVEL OF COMPLIANCE RISK IN THE BANK ACTIVITIES BY:

- orienting all the Bank employees to strict compliance with the law and internal regulations of the Bank, the requirements of the regulator in the process of implementing their official functions;
- development and implementation in the Bank, each of its employees' activities, of the required policies, rules and procedures that establish the required requirements for correspondence with the compliance procedures, taking into account the best international practices, constant refinement and improvement of these policies, rules and compliance procedures;
- constant monitoring and analysis of the Bank activities, including through the approval of draft internal normative documents and compliance checks, in order to identify and prevent possible risks of potential violations;

- organizing regular training for the Bank employees on contemporary requirements in the field of compliance, which is aimed at creating an efficient intra-organizational compliance culture of the highest level in the Bank by promoting the benefits of ethical business within the legal framework.

In this regard, the compliance subdivision organizes ongoing training and distribution of information materials among the Bank employees, providing recommendations and explanations on compliance risk management issues, followed by testing the level of acquired knowledge; interaction with the Bank subdivisions to conduct an independent audit and analysis of the compliance and internal control system in force in the subdivision, as well as to provide recommendations for their improvement.

The Bank subdivisions, authorized collegial working bodies, and other participants in compliance developed and continuously exchange information in order to increase the level of awareness of the Bank management, subdivisions, and employees about compliance risks identified in the Bank activities, followed by their efficient management at all the three lines of defense existing at the Bank, with a clear definition of the accountability structure of the subdivisions according to the Bank INDs.

The Bank developed and applies the efficient internal control system, which includes procedures for checking, monitoring and analyzing the activities of the Bank subdivisions, which allows timely identification of conditions for potential violations and risks for the Bank, including in the field of compliance procedures, as well as timely adoption of measures to eliminate them.

Eurasian Bank developed and implemented the automatic compliance control procedure using the most modern information technologies and software, which makes it possible to increase the efficiency of control and reduce the likelihood of possible violations.

THE BANK'S INFORMATION EXCHANGE SYSTEM IN COMPLIANCE RISK MANAGEMENT HAS THE FOLLOWING OBJECTIVES:

- timely communication of information about potential and/or realized compliance risk to the involved subdivisions or risk owners in order to ensure efficient and timely risk management;
- implementation of efficient corrective measures in the Bank activities aimed at eliminating/reducing the compliance risk level in the relevant business process of the Bank;
- timely communication of information on compliance risk events to the authorized collegial bodies of the Bank for timely response and making an appropriate management decision.

The Compliance Service periodically, within the framework of management reporting, provides the Management Board, the Risk and Internal Control Committee and the Board of Directors of the Bank with information on the compliance control status in the Bank, including violations and deficiencies identified in the compliance risk management process.

One of the main tasks of compliance risk management is to develop and implement organizational measures aimed at ensuring the stable and efficient functioning of the Bank compliance risk management system.

LEGAL RISK MANAGEMENT

Legal risk is the probability of losses due to non-compliance by the Bank or counterparty with the requirements of the civil, tax, banking legislation of the Republic of Kazakhstan, the legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, the legislation of the Republic of Kazakhstan on currency regulation and currency control, payments and payment systems, pension provision, securities market, accounting and financial statements, on credit bureaus and the formation of credit histories, about collection activities, on mandatory deposit guarantee, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, on joint–stock companies, and in relations with non-residents of the Republic of Kazakhstan – the legislation of the country of its origin, as well as the terms of concluded contracts.

LEGAL RISKS MAY ARISE AS A RESULT OF:

- non-compliance of internal documents with the requirements of legislation, regulatory legal acts and law enforcement practice;
- failure to take into account (ignore) judicial and law enforcement practice;
- imperfections of the legal system;
- possible legal errors in the implementation of activities.

LEGAL RISKS ARE MANAGED BY THE BANK LEGAL SUBDIVISION BY:

- constant monitoring of the Bank's compliance with the current legislation;
- detection and minimization of legal risks at the stage of establishment of business relations with customers;
- protection of interests of the Bank at realization of legal risk.

BUSINESS CONTINUITY MANAGEMENT

The Bank's business continuity management system corresponds to the current market situation, strategy, volume of assets, and level of complexity of the Bank transactions.

WITHIN THE FRAMEWORK OF BUSINESS CONTINUITY MANAGEMENT, THE BANK ANALYZES THE IMPACT OF NON-STANDARD SITUATIONS ON ITS TRANSACTIONS IN ORDER TO IDENTIFY CRITICAL ACTIVITIES AND DETERMINE THE TIME FRAME FOR RESTORING CRITICAL ACTIVITIES, AS WELL AS FOR:

- identification of resources required for resuming and continuing key activities in the event of unforeseen circumstances;
- maximum period of time within which the activity is resumed;
- period of time within which the normal level of activity is resumed.

Contingency risk analysis is performed by the Bank to assess threats and vulnerabilities in critical activities and the resources they use.

Every year, the Bank tests business continuity plans and prepares for undergoing the unforeseen situations.

IT AND IS RISK MANAGEMENT

Information security risk is the likely occurrence of damage due to a breach of confidentiality (risks associated with access to information by unauthorized persons or unsanctioned loss of information), deliberate violation of the integrity (risks associated with unauthorized modification or substitution of information) or availability (risks of blocking or destruction associated with the inability to use information by authorized persons) of the Bank information assets.

Information technology risk is the probability of damage due to the failure (malfunction) of information and communication technologies used by the Bank.

The main goal of information security risk management and information technology risk management is to organize and implement an efficient information security risk management system that corresponds to the external operating environment, the Bank strategy, organizational structure, volume of assets, and the nature and level of complexity of the Bank transactions – a system aimed at minimizing information security risks in the Bank.

information disclosure statements

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Eurasian Bank

forward-looking statements

MAUSOLEUM ARYSTAN-BABA

INFORMATION DISCLOSURE STATEMENTS

Financial figures in this annual report are taken from the corresponding year's audited consolidated financial statements and their accompanying notes.

In the management discussion, numbers may be rounded, or represented graphically. The reader should read the accompanying audited financial statements and notes for the 2021–2022 years. Prior years audited financial statements are available on the company website www www.eubank.kz. For convenience, the Strategic Report presents the data in trillions of tenge, and on occasion, charts with billions of tenge, unless otherwise stated. The audited financial statements are all presented in thousands of tenge. In all cases, the units are stated.

Any comparative data to the Kazakhstan banking sector (including market shares, loan portfolio quality) is drawn from official reports to the NBRK, and are also available in Kazakh, Russian and English from the website www.nationalbank.kz. All data reported to the regulator is accounted on a non-consolidated basis, but as of 2013 on an IFRS basis.

Forecasts and historical data for the Kazakhstan economy are available from multilateral organizations, such as the World Bank and International Monetary Fund. Historical data is also available from the Kazakhstan Government's official Statistical Agency of MNE RK from their website www.stat.gov.kz. A number of domestic and international financial institutions and research groups make forecasts available for their clients. Any historical economic data is based on data from the Statistical Agency of MNE RK, or from Government releases.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties.

Such statements, certain of which can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized.

The Bank is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Annual Report whether as a result of new information, future events or otherwise. All subsequent written or verbal forward looking statements attributable to the Bank, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Annual Report. As a result of these risks, uncertainties and assumptions, the reader of this Annual Report should not place undue reliance on these forward-looking statements.

Local regulatory requirements require the Bank to publish three-year forecasts in its annual report. These forecasts are forward-looking statements, and as long as the regulatory requirement exists, they will be replaced by subsequent forecasts in subsequent annual reports that reflect the banking and economic environment at that time.

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Eurasian Bank

glossary

KOSTANAY
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GLOSSARY

JSC	Joint-Stock Company
ARDFM	Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market
STB RK	Second-tier banks of the Republic of Kazakhstan
WB	World Bank
GDP	Gross Domestic Product
IND	Internal normative documents
SSIF	State Social Insurance Fund
RBS	Remote banking service
MLRMCO	Market and Liquidity Risk Management Committee
KDIF JSC	Kazakhstan Deposit Insurance Fund JSC
mln	million
bln	billion
SME	Small and medium enterprise
IFRS	International Financial Reporting Standards
NB RK	The National Bank of the Republic of Kazakhstan
OJSC	Open Joint-Stock Company
AML/CFT (AML)	anti-money laundering and combating the financing of terrorism
p.p.	percentage point
RB	retail business
IAS	The Internal Audit Service
RK	The Republic of Kazakhstan
RMS	Risk Management System
USA	The United States of America
LLP	Limited Liability Partnership
thou	thousand
ACB	Authorized collegial bodies of the Bank
EDF/Damu	Fund Damu Entrepreneurship Development Fund JSC
SE	State of emergency
AQR	Asset quality review
ENRC	Eurasian Natural Resources Corporation
KASE	Kazakhstan Stock Exchange
KPI	Key Performance Indicators
KYC	Know Your Customer
Moody's	Investors Service international credit rating agency
NPL	Non-Performing Loans
NPS	Net Promoter Score
ROE	Return on equity
SWIFT	Society of Worldwide Interbank Financial Telecommunications
VaR	Value at Risk

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Eurasian Bank

information for investors

MUSEUM
AND ARCHAEOLOGICAL
PARK "ANCIENT TARAZ"

INFORMATION FOR INVESTORS

EURASIAN BANK JSC

Registered address:	56, Kunayev Street, A25Y5K2, Almaty, Kazakhstan
Телефон:	+7 (727) 259-95-99
Website:	www.eubank. kz
For investors:	www.eubank.kz/about/for-investors

The responsible subdivision for issue of the Bank securities intended for the domestic financial market and the implementation of transactions with its own securities is the Debt Obligation and Capital Transaction Division of the Treasury Transaction Block of Eurasian Bank JSC.

AUDITORS / KPMG AUDIT LLC

Registered address:	180, Dostyk Avenue, Koktem Business Center, Almaty, A25D6T5, Kazakhstan.
Telephone:	+7 (727) 298 08 98
Website:	www.kpmg.kz

THE REGISTRAR OF THE BANK IS THE CENTRAL DEPOSITORY OF SECURITIES JSC

Registered address:	Registered address: 30/8, Satpayev Street, NRP 163, Almaty, 050040, Kazakhstann
Telephones:	+7 (727) 262 08 46, 355 47 60

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Eurasian Bank

financial statements

BOZJIRA

Eurasian Bank JSC

Consolidated Financial Statements

for the year ended 31 December 2022

Content

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан, A25D6T5, Алматы,
Достық д-лы, 180,
+7 (727) 298-08-98

KPMG Audit LLC
180 Dostyk Avenue, Almaty,
A25D6T5, Kazakhstan

Independent Auditors' Report

To the Shareholder and the Board of Directors of Eurasian Bank Joint Stock Company

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

© 2023 «КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы. Барлық құқықтар қорғалған.

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Expected credit losses (ECL) for loans to customers	
Please refer to the Notes 3(g) and 15 in the consolidated financial statements.	
The key audit matter	***How the matter was addressed in our audit***
Loans to customers represent 45% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. The Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of adjustment to incorporate forward-looking information; - evaluation of expected cash flows for loans allocated to Stage 3. Due to the significant volume of loans to customers and the related estimation uncertainty in estimating of ECL allowance, this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management. To analyse adequacy of professional judgement and assumptions made by the management in relation to ECL allowance estimate, we performed the following procedures: — For loans to corporate clients we tested the design of the controls over allocation of loans into Stages. For loans to corporate and retail customers we tested the design and operating effectiveness of controls over timely reflection of delinquency events in the underlying systems. — For a sample of loans to corporate clients, for which a potential change in ECL estimate may have a significant impact on the consolidated financial statements we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. — For a sample of loans to corporate customers, we tested the correctness of data inputs for PD and LGD calculations by agreeing to underlying documents as well as by valuating collateral used to estimate ECL, and by comparing with the data used by the Group. — For a sample of Stage 3 loans to corporate clients, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realisable collateral and their expected disposal terms based on publicly available market information. — We agreed input data for the model used to assess ECL for loans to retail customers to underlying documents and checked whether these loans have been correctly allocated into Stages on a sample basis. — We assessed general predictive capability of the models used by the Group to assess ECL by comparing the estimates made as at 1 January 2022 with actual results for 2022. We also assessed the appropriateness of economic

	forecasts by comparing the Group's forecasts with those we have simulated. — We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Andrei Kouznetsov
Audit Partner

Mukhit Kossayev
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. 558 of 24 December 2003

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

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

	Note	2022 KZT'000	2021 KZT'000
Interest income calculated using effective interest method	4	190,302,753	119,365,774
Other interest income	4	-	145,650
Interest expense	4	(84,527,864)	(63,683,023)
Net interest income	4	**105,774,889**	**55,828,401**
Fee and commission income	5	47,378,444	29,033,584
Fee and commission expense	5	(13,951,129)	(7,095,479)
Net fee and commission income		**33,427,315**	**21,938,105**
Net gain on financial instruments at fair value through profit or loss	6	2,488,901	1,914,659
Net foreign exchange gain	7	52,512,126	7,701,664
Net (loss)/gain on financial assets at fair value through other comprehensive income		(1,027)	1,667,241
Net other operating expense		(311,407)	(2,167,609)
Operating income		**193,890,797**	**86,882,461**
Impairment losses on debt financial assets	8	(36,305,450)	(29,363,767)
Impairment losses on loan commitments and financial guarantee contracts		(11,181)	(171,880)
Estimated liabilities expenses		-	(2,686)
Personnel expenses	9	(33,087,856)	(23,901,283)
Other general and administrative expenses	10	(16,967,457)	(14,744,062)
Profit before income tax		**107,518,853**	**18,698,783**
Income tax expense	11	(24,198,681)	(5,650,332)
Profit for the year		**83,320,172**	**13,048,451**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for financial assets at fair value through other comprehensive income:			
- Net change in fair value		(6,354,080)	(1,116,688)
- Net change in fair value transferred to profit or loss		1,027	(1,667,241)
Change in deferred tax		1,034,461	14,174
Total items that are or may be reclassified subsequently to profit or loss		(5,318,592)	(2,769,755)
Total other comprehensive loss for the year		**(5,318,592)**	**(2,769,755)**
Total comprehensive income for the year		**78,001,580**	**10,278,696**
Earnings per share			
Basic earnings per share (KZT)	26	3,975.13	622.53

The consolidated financial statements as set out on pages 8 to 97 were approved by management on 17 April 2023 and were signed on its behalf by:

L.A. Satiyeva
Chairperson of the Management Board

N.M. Druzhinina
Deputy Chairperson of the Management Board

S.K. Rakhmetova
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS			
Cash and cash equivalents	12	906,893,391	419,639,224
Financial instruments at fair value through profit or loss		500,923	18,900
Financial assets at fair value through other comprehensive income	13	111,821,826	124,000,016
Deposits and balances with banks	14	11,991,072	6,934,753
Loans to customers	15	1,059,257,085	635,338,323
Investments measured at amortised cost	16	224,912,211	170,290,941
Current tax asset		8,235	357,244
Property, plant and equipment and intangible assets	17	20,779,004	20,314,158
Right-of-use assets	17	2,668,639	2,157,005
Other assets	18	17,348,264	34,293,507
Total assets		**2,356,180,650**	**1,413,344,071**
LIABILITIES			
Financial instruments at fair value through profit or loss		89,853	1,871
Deposits and balances from banks	19	22,051,481	566,311
Current accounts and deposits from customers	20	1,930,978,745	1,136,380,599
Debt securities issued	21	16,667,144	16,462,157
Subordinated debt securities issued	22	74,685,514	70,309,216
Other borrowed funds	23	70,058,378	26,029,572
Lease liabilities	23	3,175,407	2,562,741
Deferred tax liabilities	11	17,647,683	11,747,533
Other liabilities	24	23,495,769	29,954,975
Total liabilities		**2,158,849,974**	**1,294,014,975**
EQUITY			
Share capital	25	61,135,197	61,135,197
Share premium		25,632	25,632
Reserve for general banking risks		8,234,923	8,234,923
Revaluation reserve for financial assets at fair value through other comprehensive income		(5,491,407)	(172,815)
Retained earnings		133,426,331	50,106,159
Total equity		**197,330,676**	**119,329,096**
Total liabilities and equity		**2,356,180,650**	**1,413,344,071**
Book value per ordinary share (KZT)	25(c)	9,090.30	5,372.84

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	2022 KZT'000	2021 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	188,076,110	128,749,588
Interest expense paid	(79,129,081)	(59,788,931)
Fee and commission income received	46,819,689	28,711,858
Fee and commission expense paid	(13,951,128)	(7,095,479)
Net receipts from financial instruments at fair value through profit or loss	2,094,860	466,312
Net receipts from foreign exchange	58,362,912	9,419,638
Other receipts/(payments)	431,052	(602,450)
Personnel expenses paid	(31,167,484)	(21,800,741)
Other general and administrative expenses paid	(13,172,377)	(9,602,765)
(Increase)/decrease in operating assets		
Deposits and balances with banks	(4,226,258)	36,075,609
Loans to customers	(432,035,977)	(111,757,088)
Other assets	6,563,135	(9,985,323)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	23,648,622	(292,546)
Amounts payable under repo agreements	316,591	(1,147,560)
Current accounts and deposits from customers	760,429,491	173,685,393
Other liabilities	4,259,924	3,195,545
Cash flows from operating activities before income tax paid	**517,320,081**	**158,231,060**
Income tax paid	(17,257,562)	(3,924)
Cash flows from operating activities	**500,062,519**	**158,227,136**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(15,068,795)	(151,306,064)
Sale and redemption of financial assets at fair value through other comprehensive income	20,810,317	125,038,446
Purchases of precious metals	(635,383)	(374,196)
Sale of precious metals	638,209	361,941
Acquisitions of investment at amortised cost	(332,059,775)	(272,503,090)
Repayment of investment at amortised cost	272,769,997	246,881,614
Acquisition of property, plant and equipment and intangible assets	(3,862,012)	(3,380,678)
Sale of property, plant and equipment and intangible assets	40,647	137,962
Cash flows used in investing activities	**(57,366,795)**	**(55,144,065)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	2022 KZT'000	**2021 KZT'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issued	-	6,160,840
Proceeds from other borrowed funds	35,000,000	-
Repayment of other borrowed funds	(2,611,181)	(1,287,009)
Payments under lease agreements	(1,242,881)	(1,260,347)
Cash flows from financing activities	**31,145,938**	**3,613,484**
Net increase in cash and cash equivalents	**473,841,662**	**106,696,555**
Effect of movements in exchange rates on cash and cash equivalents	13,798,777	5,331,088
Effect of movements in expected credit losses	(386,272)	(7,606)
Cash and cash equivalents at the beginning of the year	419,639,224	307,619,187
Cash and cash equivalents at the end of the year (Note 12)	**906,893,391**	**419,639,224**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

KZT’000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Retained earnings**	**Total equity**
Balance at 1 January 2021	**61,135,197**	**25,632**	**8,234,923**	**2,596,940**	**37,057,708**	**109,050,400**
Total comprehensive income						
Profit for the year	-	-	-	-	13,048,451	13,048,451
Other comprehensive loss						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(1,116,688)	-	(1,116,688)
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	(1,667,241)	-	(1,667,241)
Change in deferred tax	-	-	-	14,174	-	14,174
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(2,769,755)	-	(2,769,755)
Total other comprehensive loss	**-**	**-**	**-**	**(2,769,755)**	**-**	**(2,769,755)**
Total comprehensive income for the year	**-**	**-**	**-**	**(2,769,755)**	**13,048,451**	**10,278,696**
Balance at 31 December 2021	**61,135,197**	**25,632**	**8,234,923**	**(172,815)**	**50,106,159**	**119,329,096**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	**61,135,197**	**25,632**	**8,234,923**	**(172,815)**	**50,106,159**	**119,329,096**
Total comprehensive income						
Profit for the year	-	-	-	-	83,320,172	83,320,172
Other comprehensive loss						
Items that are or may be reclassified subsequently to profit or loss:						
Net change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(6,354,080)	-	(6,354,080)
Net change in fair value of financial assets at fair value through other comprehensive income, transferred to profit or loss	-	-	-	1,027	-	1,027
Change in deferred tax (Note 11)	-	-	-	1,034,461	-	1,034,461
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(5,318,592)	-	(5,318,592)
Total other comprehensive loss	**-**	**-**	**-**	**(5,318,592)**	**-**	**(5,318,592)**
Total comprehensive income for the year	**-**	**-**	**-**	**(5,318,592)**	**83,320,172**	**78,001,580**
Balance at 31 December 2022	**61,135,197**	**25,632**	**8,234,923**	**(5,491,407)**	**133,426,331**	**197,330,676**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Principal activity

The accompanying consolidated financial statements include the financial statements of Eurasian Bank JSC (the "Bank") and of its subsidiaries - Eurasian Project 1 LLP and Eurasian Project 2 LLP (31 December 2021: Eurasian Bank PJSC, Eurasian Project 1 LLP and Eurasian Project 2 LLP) (jointly referred to as the "Group").

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank carries on its activities in accordance with the banking licence No.1.2.68/242/40 granted on 3 February 2020, to conduct banking and other operations and engage in activities on securities market. The principal activity of the Bank is deposit taking, maintaining customer accounts, extending loans and issuing guarantees, providing custodian services, and settlement and cash services, and securities and foreign exchange activities.

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

As at 31 December 2022, the Bank has 17 regional branches (2021: 17) and 119 cash settlement centres (2021: 115) through which it operates in the Republic of Kazakhstan.

The Bank's head office is registered at: 56 Kunayev street, Almaty, Republic of Kazakhstan.

On 1 April 2010, the Bank acquired a subsidiary, Eurasian Bank OJSC (Open Joint Stock Company), located in Moscow, Russian Federation. On 29 January 2015, the subsidiary was renamed Eurasian Bank PJSC (Public Joint Stock Company).

On 30 December 2015, the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed EU Bank JSC (SB of Eurasian Bank JSC). On 31 December 2015, the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank JSC (SB of Eurasian Bank JSC) merged with the Bank. On 3 May 2016, the actual merger of EU Bank JSC (SB of Eurasian Bank JSC) with the Bank took place.

On 21 August 2017, the Bank's subsidiaries – Eurasian Project 1 LLP and Eurasian Project 2 LLP – were registered. The principal activity of these entities is acquisition and management of doubtful and bad assets of the Bank.

On 29 December 2020, the Bank closed a deal to sell its holding of shares of the subsidiary bank of Eurasian Bank JSC (the Russian Federation) to Sovcombank PJSC; share purchase price was RUB 530,644 thousand, which was settled in cash.

(b) Shareholders

As at 31 December 2022 and 31 December 2021, Eurasian Financial Company JSC ("EFC") is the Bank's Parent Company, which owns 100% of the Bank's shares.

During 2021 the structure of the EFC shareholders changed: effective from 15 July 2021 the EFC shareholders are: Mukadaskhan Ibragimova, Patokh Chodiyev and Alexander Mashkevich; each of the shareholders owns 33.3% of stocks.

(c) Kazakhstan business environment

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

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

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that certain financial instruments are stated at fair value.

(c) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Group operates. The functional currency of the Bank and its subsidiaries and presentation currency for the purpose of these consolidated financial statements is the Kazakhstan tenge (KZT).

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

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL – Note 3(g)(iv) and Note 15(b);
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 3(g)(i);
- recognition of a fee and commission income from agency services - Note 3(m);
- recognition of other borrowed funds: use of a separate market concept - Note 23.

(e) Assessment of the Group's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared on assumption that the Group will continue as a going concern.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combination

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

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire), plus the recognised amount of any non-controlling interests in the acquire, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

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

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

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

Foreign currency translation differences are recognised in profit or loss, except for equity instruments for which the Group decided to present subsequent changes in fair value within other comprehensive income. Foreign currency differences on such equity instruments are recognised in other comprehensive income.

The following exchange rates have been applied by the Group in preparation of the consolidated financial statements:

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

(c) Cash and cash equivalents

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

(d) Financial instruments

(i) Classification of financial instruments

Under IFRS 9 *Financial Instruments*, financial assets are classified into the following categories based on a business model used by the Group to manage its financial assets for cash flows generation:

Financial instruments measured at fair value through other comprehensive income within a business model "Holding assets in order to collect contractual cash flows and/or sell assets" that meet the SPPI ("solely payments of principal and interest") criterion. This business model implies that the objective is achieved by both collecting contractual cash flows and selling assets. The level of sales is usually higher (in respect of frequency and volumes of asset transactions) within this business model than those under the business model "hold to collect contractual cash flows";

Financial instruments measured at amortised cost within the business model "Holding assets to collect contractual cash flows" that meet the SPPI ("solely payments of principal and interest") criterion: The objective within this business model is:

- to hold assets in order to collect contractual cash flows;
- sales are secondary to the objective of this model;
- the level of sales within this model, as a rule, is the lowest as compared to other business models (in respect of frequency and volumes of asset transactions).

Financial instruments measured at fair value through profit or loss within a business model "Managing assets on a fair value basis and maximising cash flows through selling assets" that do not meet the SPPI criterion.

This business model does not seek both "to hold to collect" and "to hold to collect and/or sell". Collecting contractual cash flows is irrelevant in relation to the objective of this model.

In order to define a business model for specific financial assets the Group analyses the following:

- how performance of the business model (and the financial assets held within that business model) is measured and how this information is communicated to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the Bank responsible for portfolio management are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised. In this case, the Group considers information about previous sales, the reasons for those sales and conditions that existed at that time as compared to current conditions.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition.

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

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

The Group reclassifies financial assets if the Group changes its business model for managing those financial assets. Reclassification is applied perspectively from the next reporting period preceding the period, in which a business model changes.

The Group classifies its financial assets as follows:

– *loans and receivables* are classified as assets measured at amortised cost as they are managed within a business model "Held for collecting contractual cash flows", which meet the SPPI criterion, except for the loans that do not meet the SPPI criterion;

– *correspondent account balances, interbank loans and deposits, REPO transactions* are classified as assets measured at amortised cost since they are managed within the business model "Holding to collect contractual cash flows" that meet the SPPI criterion;

– *debt securities* may be classified in any of the three classification categories depending on the business model chosen and compliance with the SPPI criterion;

– *equity securities*, generally will be classified as instruments measured at fair value through profit or loss;

– *derivative financial instruments* are classified as financial assets at fair value through profit or loss.

All financial liabilities are classified on initial recognition as measured at amortised cost, except for the following:

– financial liabilities at fair value through profit or loss (IFRS 9 says that the Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss).

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

– loans and receivables which are measured at amortised cost using the effective interest method, correspondent account balances, interbank loans and deposits, and cash and cash equivalents;

– investments within a business model "Held for collecting contractual cash flows", which are measured at amortised cost using effective interest method.

(iv) Amortised cost versus gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. If transaction was entered into with the Group's non-related parties, the difference is credited or charged to profit or loss as gains or losses on the origination of financial instruments at rates different from market rates (provided that fair value is measured on the basis of the observed inputs). Subsequently), the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

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

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

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

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

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

Profit or loss arising from change in fair value of financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on a financial asset measured at fair value through other comprehensive income is recognised as other comprehensive income in equity (except for expected credit losses and reversal of impairment losses and foreign exchange gains and losses on debt financial instruments measured at fair value through other comprehensive income) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in comprehensive income is recognised in profit or loss. Interest income in relation to financial asset measured at fair value through other comprehensive income is recognised in profit or loss, as accrued, using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

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 included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible, if there are no reasonable expectations for their recovery.

(viii) Repurchase and reverse repurchase agreements

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

Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

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

(ix) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(x) Offsetting

Financial assets and liabilities are offset and the net amount 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 realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(e) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

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

-	Buildings	40-100 years;
-	Computers and banking equipment	5 years;
-	Vehicles	7 years;
-	Office furniture	8-10 years;
-	Leasehold improvements	5 years.

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of various items of property, plant and equipment are as follows:

-	Trademark	10 years;
-	Software and other intangible assets	up to 15 years.

(g) Impairment

IFRS 9 requires application of an “expected credit loss” model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

(i) Impairment

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

- interbank deposits and interbank loans;
- cash placed in correspondent accounts;
- financial assets that are debt instruments;
- receivables on documentary settlements and guarantees;
- financial guarantee contracts issued, contingent liabilities on unsecured letters of credit, guarantees issued or confirmed;
- loan commitments issued.

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

- debt investment securities and other financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers:

- a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade";
- a financial asset to have low credit risk when a loan agreement has been concluded with a counterparty a credit rating of at least BBB- according to the international scale assigned by S&P agency or similar ratings assigned by Moody's and Fitch agencies, a loan agreement has been concluded with a company owned by the Government of the Republic of Kazakhstan.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Significant increase in credit risk

For the purpose of determining significant increases in credit risk of a financial asset, the Group:

- assesses change in the risk of a default occurring over the expected life of the financial asset by comparing a risk of a default occurring on the financial asset with the risk of a default as at the date of initial recognition;
- analyses reasonable and supportable information, that is available without undue cost or effort and which indicates a significant increase in credit risk since initial recognition.

Significant increases in credit risk of a financial asset mean occurrence of one or several cases listed below:

- significant changes in indicators of credit risk (increase in LTPD PIT by 80% from initial recognition of the financial asset) for a particular financial asset or similar financial assets with the same expected life;
- an actual or expected internal credit rating downgrade for the borrower determined upon monitoring based on a set of quantitative and qualitative indicators of the counterparty;
- significant changes in value of collateral (over 50% of the value at the time of initial recognition of an asset) for asset or in guarantee quality;
- payments are past due for thirty calendar days or more.

Monitoring work implies controlling and analysing the status of a counteragent and of the entire relations between the Group and the counteragent and consists of the following:

- control over compliance with payment discipline for a financial asset;
- regular review of a counteragent's financial statements;
- monitoring of the account turnover;
- monitoring of the progress in the project funded by the Group.

(iii) Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 60 days past due for individual financial assets and 90 days past due for homogenous financial assets;
- the restructuring of a loan by the Group due to the borrowers' financial difficulties;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties, delisting of a security.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether investments in sovereign debt where the Government acts as a debtor, are credit-impaired, the Group considers the following factors:

- downgrade of the bonds' long-term sovereign credit rating below B in accordance with Standard&Poor's credit agency scale or in scale of other rating agencies;
- internal economic reasons (hostilities inside the state, global natural and/or man-made disasters affecting significantly the country economy, undemocratic seizure of power and denial to serve government liabilities, and other similar events affecting significantly the country economy);
- decision to restructure the obligation to purchase bonds.

(iv) Measurement of ECL

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

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

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

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

For debt securities and financial assets arising from entering into transactions with financial organisations:

- PD is estimated on the basis of data on global corporate and global sovereign average cumulative values of PD published by S&P agency, depending on the counterparty's credit rating assigned by S&P or similar rating assigned by Moody's and Fitch;
- For interbank deposits and interbank loans and cash placed in correspondent accounts, LGD is derived based on Recovery Rate for unsecured bonds, published by Moody's agency;
- For unsecured corporate bonds of the issuers, LGD is determined at 70%.

For loans related both to individual and homogeneous financial assets, PD and LGD are derived based on statistical models employed by the Group and other historical data, considering forward-looking information on macroeconomic factors.

Individual financial assets

Estimate of PD on loans related to individual financial assets is based on historical data on borrowers' ratings which are determined at the time of consideration of lending application and during quarterly monitoring, and on historical data on the borrowers' default rates for the period of observation of at least five years.

The level of PD corresponding to the borrower' rating is estimated by determining a ratio of total balance sheet debt of the defaulted borrowers to the total balance sheet debt (average for the year) of a borrower having certain rating, for 1 calendar year, at each reporting date of the observation period, for the observation period.

The correspondence of credit quality categories of individual financial assets to the statistics of cumulative PD values published by the international rating agency S&P is presented below:

- "Standard loans" - loans with a weighted average internal credit rating of 3 and a weighted average PD value of 2.7%, which corresponds to the statistics of cumulative PD values for "B+";
- "Low-risk loans" - loans with a weighted average internal credit rating of 5 and a weighted average PD value of 5.1%, which corresponds to the statistics of cumulative PD values for "B-";
- "Moderate- and high-risk loans" - loans with a weighted average credit rating of 6-7 and a weighted average PD value of 18.9%, which corresponds to the statistics of cumulative PD values for "B-";
- "Problem loans" are high-risk loans and problem loans but with high repayment expectations through realising the available liquid collateral;
- "High-risk problem loans" are high-risk loans and problem loans but with low repayment expectations due to the lack of liquid collateral.

Homogeneous financial assets

Estimate of PD on loans related to homogeneous financial assets is based on historical data on borrowers' default rates of each generation of issue (per month) for at least 5-year observation period, given the grouping of homogeneous assets based on their common risk characteristics, which include a type of credit product and type of available collateral.

PD for the group of homogeneous assets is estimated as a ratio of a number of defaulted loans to non-defaulted loans in each generation of loan issue, per each month of the observation period, with due account of subsequent estimate of an averaged probability of default for a group of homogeneous assets per each month of the observation period, with subsequent recognition in annual terms.

Impact of macroeconomic indicators

To take into account the impact of macroeconomic indicators on PD, estimated PDs are calibrated by PIT coefficient (Point-in-Time). Economic scenarios used as at 31 December 2022 used the following key indicators for the Republic of Kazakhstan:

- for individual financial assets: inflation rate, GDP growth rate, state budget revenue, oil price (Brent, annual average), US dollar exchange rate (annual average), base rate of NB RK, unemployment rate and other:

Period	**USD exchange rate**	**EUR exchange rate**	**RUB exchange rate**	**GDP growth, %**	**Inflation rate, %**	**Brent oil price, USD**	**Export, USD mln**	**Import, USD mln**
2023 forecast (base)	470.08	496.06	7.27	4.00	8.50	85.00	80,855.00	45,661.00

Period	Basic rate, %	Unemp-loyment rate, %	Revenues of the Republican budget KZT mln	Average per capita nominal money income of the population, KZT	Real average per capita money income of the population, KZT	Real average per capita money expenditures of the population, KZT	Real average monthly wage, KZT	Banking system assets, KZT mln
2023 forecast (base)	14.50	4.80	13,911,400.00	174,305.68	160,650.40	236,626.34	267,613.82	45,423,534.44

Based on the correlation results, scripting was applied:

- for individual financial assets: oil prices, unemployment rate and real average per capita money expenditures of the population on the level of heterogeneous financial assets that defaulted in the analysed period:

Period	Brent oil price, USD mln	Unemployment rate, %	Real average per capita money expenditures of the population, KZT
2023 forecast (base)	85.00	4.80	236,626.34
2023 forecast (pessimistic)	60.00	5.90	213,720.05
2023 forecast (optimistic)	110.00	4.40	220,998.00

- for homogeneous financial assets: USD and RUB exchanges rates, GDP growth rate, inflation rate, Brent oil price, export and import, unemployment rate, state budget revenue, average nominal per capita money income of the population, real average per capita money income of the population, real average per capita money expenditures of the population, real average monthly wage in three scenarios on the level of homogeneous financial assets that defaulted during the year in the analysed period:

Period	USD exchange rate	RUB exchange rate	GDP growth rate	Inflation rate, %	Brent oil price, USD mln	Export, USD mln	Import, USD mln
2023 forecast (base)	470.08	7.27	4.00	8.50	85.00	80,855.00	45,661.00
2023 forecast (pessimistic)	482.90	7.47	2.90	9.50	60.00	62,300.00	42,700.00
2023 forecast (optimistic)	459.90	7.11	4.40	7.50	110.00	93,200.00	46,900.00

Period	Unemployment rate, %	Revenues of the Republican budget (KZT mln)	Average per capita nominal money income of the population, KZT	Real average per capita money income of the population, KZT	Real average per capita money expenditures of the population, KZT	Real average monthly wage, KZT
2023 forecast (base)	4.80%	13,911,400.00	174,305.68	160,650.40	236,626.34	267,613.82
2023 forecast (pessimistic)	5.90%	12,884,400.00	172,388.32	157,432.25	213,720.05	262,252.99
2023 forecast (optimistic)	4.40%	14,570,800.00	175,002.90	162,793.40	220,998.00	271,183.67

Impact assessment is performed using the linear regression method (statistics for at least 5 years); PIT coefficient is calculated as a ratio of projected default rate (D) to an average D over the over the latest 12-month period.

LGD is estimated by the Bank as a difference between carrying amount of an asset and overall recovery rate (Recovery Rates) for defaulted loans from the time of default against an outstanding debt as at the date of default and present value of estimated future cash flows from enforcement of collateral discounted at the original effective interest rate of a financial asset (i.e. effective interest rate calculated on initial recognition).

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of homogeneous financial assets is the gross carrying amount.

(v) Recognised impairment losses

All impairment losses on loans and receivables (including reversal of impairment losses or impairment gain) are recognised in profit or loss.

No loss allowance for debt financial assets measured at FVOCI is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

(vi) Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(vii) Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit (CGU). For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

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

(i) Credit related commitments

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

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

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

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

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

(l) Income and expense recognition

(i) Effective interest rate

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

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

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

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

(ii) Calculation of interest income and expense

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

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

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

Fee and commission which relate to issue of a loan and are an inherent component of an effective interest rate, taking into account direct transaction costs, are stated as a discount on loans issued by the Group. Within the effective period of a contract, the discount amount is amortised and stated as the Group's income, using an effective interest rate. Fee and commission income related to provision of other services stipulated in a concluded contract and received as the services are provided can be stated simultaneously in "fee and commission receivable from a borrower" line item, unless otherwise provided for by the contract, and are recognised in "income" line items as the relevant services are provided.

(iii) Presentation

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 and other comprehensive income.

(m) Fee and commission income

Fee and commission income is stated at the amount which the Group expects to receive in exchange for the services provided, and is recognised when or as the Group provides the services to customers.

The Group provides insurance agent services by offering life insurance policies of different insurance companies at its points of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore, the agent services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract), therefore, the Group recognises fee and commission simultaneously, when a performance obligation is satisfied, i.e., an insurance policy is issued (insurance contract is concluded).

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises, and is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

Fee and commission income for cash withdrawal comprises fee and commission for customer accounts maintenance as well as fee and commission for cash operations. Payment for customer account maintenance is recognised in the period when the services are provided, usually, on a monthly basis. Payment collected for cash operations is recognised at the time of the services provision.

Fee and commission for settlement transactions represent fee and commission income for payments and transfers charged at the time of the transaction.

Income in the form of fee and commission for issue of guarantees as well as fee and commission for issue and servicing of letters of credit are stated on an accrual basis, with daily amortisation on income line items.

(n) Segment reporting

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

(o) Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, and depreciation charge for right-of-use assets and interest expense on lease liabilities.

Lease liability is determined on initial recognition as present value of lease payments and expected payments till the end of the lease term using a discount rate as a borrowing rate. The cost of right-of-use assets includes the amount of initially estimated lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Upon initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

The right-of-use assets and lease liabilities are stated in separate line items in the consolidated statement of financial position.

In the consolidated statement of profit or loss and other comprehensive income, lease expenses are stated as depreciation and amortisation expenses in “Other general and administrative expenses” and as interest expenses paid in “Interest expenses”.

For short-term leases (with a lease term less than 12 months) and for leases of low-value assets, the lease payments are recognised on a straight-line basis within the lease term in “Other general and administrative expenses”.

In the consolidated statements of cash flows, the Group classifies separately the cash flows used for payment of principal amount of lease liabilities - as cash used in financing activities, and cash flows used in payments for interest on lease liabilities – as cash used in operating activities.

(p) Comparative information

In preparing the financial statements for 2022, the Group has classified the margin security of KZT 6,520,180 thousand on Kazakhstan Stock Exchange into cash and cash equivalents as the Group considers margin securities on the stock exchange to be highly liquid assets and classifies them as cash equivalents. The appropriate adjustments have been made in the consolidated statement of financial position as at 31 December 2021 and consolidated statement of cash flows for 2021.

(q) New standards and interpretations

A number of new amendments to standards and interpretations are effective from 1 January 2022. The amended standards and interpretations have no significant impact on the Bank’s consolidated financial statements:

- *Annual Improvements to IFRS Standards 2018-2020 Cycle;*
- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets).*

New and revised IFRS standards issued but not yet effective

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

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

- *IFRS 17 Insurance Contracts;*
- *Amendment to IAS 8 – Definition of Accounting Estimates;*
- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies;*
- *Amendments to IAS 12 Income Tax – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

4 Interest income and expense

	2022 KZT'000	2021 KZT'000
Interest income calculated using the effective interest method		
Loans to customers measured at amortised cost	162,732,833	98,258,695
Investments measured at amortised cost	11,195,442	9,349,759
Financial assets at fair value through other comprehensive income	8,105,159	10,247,727
Cash and cash equivalents	7,498,433	717,569
Amounts receivable under reverse repurchase agreements	344,663	543,198
Deposits and balances with banks	86,336	37,227
Other financial assets	339,887	211,599
	190,302,753	**119,365,774**
Other interest income		
Loans to customers measured at fair value	-	145,650
	190,302,753	**119,511,424**
Interest expense		
Current accounts and deposits from customers	(67,900,344)	(50,078,544)
Subordinated debt securities issued	(12,008,456)	(11,117,226)
Debt securities issued	(1,796,978)	(1,022,533)
Amounts payable under repurchase agreements	(1,655,689)	(474,750)
Other borrowed funds	(841,186)	(731,118)
Lease liabilities	(314,631)	(258,852)
Deposits and balances from banks	(10,580)	-
	(84,527,864)	**(63,683,023)**
	105,774,889	**55,828,401**

5 Fee and commission income and expense

	2022 KZT'000	2021 KZT'000
Fee and commission income		
Agency services	26,879,884	18,052,323
Payment card maintenance fees	12,194,117	5,958,017
Settlement	3,788,076	2,332,618
Cash withdrawal	1,836,183	1,304,174
Guarantee and letter of credit issuance	573,528	468,015
Custodian services	170,481	63,720
Cash collection	27,447	25,566
Other	1,908,728	829,151
	47,378,444	**29,033,584**
Fee and commission expense		
Payment card maintenance fees	(10,819,448)	(5,416,345)
Settlement	(1,093,036)	(798,583)
Services of the State Centre for Pension Payments and credit bureaus	(1,067,730)	(487,830)
Cash withdrawal	(407,748)	(159,001)
Custodian services	(169,317)	(71,502)
Securities operations	(35,104)	(29,056)
Guarantee and letter of credit issuance	-	(8,029)
Other	(358,746)	(125,133)
	(13,951,129)	**(7,095,479)**
	33,427,315	**21,938,105**

Contract assets and contract liabilities

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Fee and commission receivable (Note 18)	1,324,527	765,772

As at 31 December 2022 and 31 December 2021, there are no performance obligations with an original expected duration of one year or less as required by IFRS 15.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies for significant types of services.

Type of product/service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Agency service fees	The Group provides insurance agent services by offering life insurance policies of different insurance companies at its points of sale of retail loans and earns a commission fee proportionate to insurance premium (value) under insurance policies written. As acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect the interest rate on the loan. Therefore, the agency services fee was not considered as part of effective interest rate. A service is deemed to be completely provided when an insurance policy has been issued (insurance contract). Commission fee for agent services is paid upon provision of the services (for the reporting period).	The Group recognises the commission fee simultaneously with satisfaction of performance obligation, i.e. writing an insurance policy (insurance contract).
Payment card maintenance fees	Fee and commission income for payment card maintenance comprises interchange fee from transactions with credit and debit cards carried out in trade and service enterprises.	Revenue is recognised upon receipt of compensation from payment systems. Other payment card fees are recognised at the time of transaction completion.

6 Net gain on financial instruments at fair value through profit or loss

	2022 KZT'000	2021 KZT'000
Net realised gain on financial instruments at fair value through profit or loss	2,145,225	457,534
Net unrealised gain on financial instruments at fair value through profit or loss	343,676	23,749
Gain on change in the value of loans to customers measured at fair value	-	1,433,376
	2,488,901	**1,914,659**

7 Net foreign exchange gain

	2022 KZT'000	2021 KZT'000
Dealing operations, net	58,362,912	9,419,638
Translation differences, net	(5,850,786)	(1,717,974)
	52,512,126	**7,701,664**

8 Impairment losses on debt financial assets

	2022 KZT'000	2021 KZT'000
Loans to customers (Note 15)	18,242,342	31,877,974
Investments measured at amortised cost (Note 16)	10,758,875	47,069
Financial assets measured at fair value through other comprehensive income (Note 13)	5,860,100	11,851
Other assets (Note 18)	1,058,157	(2,580,787)
Cash and cash equivalents	386,272	7,618
Deposits and balances with banks	(296)	42
	36,305,450	**29,363,767**

9 Personnel expenses

	2022 KZT'000	2021 KZT'000
Wages, salaries, bonuses and related taxes	32,070,479	22,908,694
Other employee costs	1,017,377	992,589
	33,087,856	**23,901,283**

10 Other general and administrative expenses

	2022 KZT'000	2021 KZT'000
Communication and information services	4,189,014	3,200,330
Depreciation and amortisation	2,916,209	2,793,555
Taxes other than income tax	1,593,401	1,222,665
Depreciation of right-of-use assets	1,304,167	1,320,225
Security	1,255,196	856,539
Repair and maintenance	898,379	669,738
Advertising and marketing	776,248	964,322
Professional services	751,018	1,013,267
Operating lease expense	436,398	302,427
Cash collection	315,243	320,046
Business travel	262,294	206,712
Stationary and office supplies	247,642	200,632
Transportation	92,441	78,874
Training	81,006	80,546
Insurance	58,467	57,295
Representation expenses	1,156	2,285
Other	1,789,178	1,454,604
	16,967,457	**14,744,062**

11 Income tax expense

	2022 KZT'000	2021 KZT'000
Current income tax expense		
Current period	17,264,070	332
	17,264,070	**332**
Deferred income tax expense		
Origination and reversal of temporary differences	6,934,611	5,650,000
Total income tax expense	**24,198,681**	**5,650,332**

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

Reconciliation of effective tax rate for the year ended 31 December:

	2022 KZT'000	%	2021 KZT'000	%
Profit before tax	**107,518,853**		**18,698,783**	
Income tax at the applicable tax rate	21,503,771	20.00	3,739,757	20.00
Tax-exempt income on securities	(3,368,455)	(3.13)	(3,979,197)	(21.28)
Impairment losses	3,972,413	3.69	4,792,472	25.63
Non-deductible expenses	2,090,952	1.94	1,097,300	5.87
	24,198,681	**22.51**	**5,650,332**	**30.22**

Deferred tax assets and liabilities

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

Tax loss carry-forwards originated in 2017 will expire on 31 December 2027. During 2022, the Group fully utilised the remaining amount of tax loss carry-forwards (in 2021: the Group utilised tax loss of KZT 35,275,836 thousand). Other deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences during the years ended 31 December 2022 and 31 December 2021 are as follows:

2022 KZT'000	**Balance at 1 January 2022**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2022**
Loans to customers	1,312,621	(1,275,239)	-	37,382
Property, plant and equipment	(1,173,434)	(84,561)	-	(1,257,995)
Other assets	25,158	(25,158)	-	-
Financial instruments at fair value through profit or loss	-	(82,214)	-	(82,214)
Interest payable on deposits and balances with banks	41,243	26,716	-	67,959
Subordinated debt securities issued	(19,450,720)	701,592	-	(18,749,128)
Other liabilities	950,348	237,612	-	1,187,960
Tax loss carry-forwards	6,453,565	(6,453,565)	-	-
Financial assets at fair value through other comprehensive income	12,539	-	1,034,461	1,047,000
Right-of-use assets	(431,401)	(102,327)	-	(533,728)
Lease liabilities	512,548	122,533	-	635,081
	(11,747,533)	**(6,934,611)**	**1,034,461**	**(17,647,683)**

2021 KZT'000	**Balance at 1 January 2021**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2021**
Loans to customers	1,101,134	211,487	-	1,312,621
Property, plant and equipment	(1,084,873)	(88,561)	-	(1,173,434)
Other assets	21,208	3,950	-	25,158
Interest payable on deposits and balances with banks	42	41,201	-	41,243
Subordinated debt securities issued	(20,045,289)	594,569	-	(19,450,720)
Other liabilities	321,076	629,272	-	950,348
Tax loss carry-forwards	13,508,732	(7,055,167)	-	6,453,565
Financial assets at fair value through other comprehensive income	(1,635)	-	14,174	12,539
Right-of-use assets	(488,687)	57,286	-	(431,401)
Lease liabilities	556,585	(44,037)	-	512,548
	(6,111,707)	**(5,650,000)**	**14,174**	**(11,747,533)**

12 Cash and cash equivalents

	31 December 2022 KZT'000	31 December 2021 KZT'000
Cash on hand	**70,070,846**	**32,498,229**
Nostro accounts with NBRK	**189,540,044**	**77,214,339**
Nostro accounts with other banks		
- rated from AA- to AA+	79,700,201	56,022,937
- rated from A- to A+	40,085,569	4,530,905
- rated from BBB- to BBB+	38,982,988	6,549,930
- rated from BB- to BB+	-	445,398
- rated from B- to B+	1,641,863	757,100
- not rated	9,747,892	125,531
Total Nostro accounts with other banks	**170,158,513**	**68,431,801**
Term deposits with NBRK	**463,592,732**	**223,465,217**
Term deposits with other banks		
- rated from BBB- to BBB+	-	2,880,592
- rated from B- to B+	-	8,638,015
Total term deposits with other banks	**-**	**11,518,607**
Margin security on Kazakhstan Stock Exchange	**13,925,765**	**6,520,180**
Total cash and cash equivalents before allowance for expected credit losses	**907,287,900**	**419,648,373**
Allowance for expected credit losses	(394,509)	(9,149)
Total cash and cash equivalents	**906,893,391**	**419,639,224**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2022 cash equivalents with net carrying amount of KZT 827,879,361 thousand are categorised into Stage 1 of the credit risk grade, of KZT 8,734,586 thousand – into Stage 2 of the credit risk grade, and of KZT 208,598 thousand – into Stage 3 of credit risk grade (31 December 2021: all cash and cash equivalents are categorised into Stage 1 of the credit risk grade).

As at 31 December 2022 the Group has 4 banks (31 December 2021: 2 banks), whose balances on cash equivalents exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 808,732,031 thousand (31 December 2021: KZT 356,702,493 thousand).

As at 31 December 2022 included in unrated Nostro accounts are claims to Russian banks and credit institutions totalling to KZT 9,337,694 thousand (equivalent to 1% of total gross carrying amount of cash and cash equivalents). In this regard, 91% of said claims to the Russian counterparties comprise balances with banks and financial institutions not included in the list of sanctions against Russia. For the purpose of calculation of the allowance for expected credit losses, the Group used PD and LGD estimates rated CCC under international credit ratings by Moody's rating agency (31 December 2021: included in unrated Nostro accounts were claims to the central securities depository and subsidiary bank of the Russian bank located in the European Union).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Second-tier banks are required to comply with these requirements by maintaining average reserve (cash on hand in the national currency in the amount not exceeding 50% of average minimum reserve requirements for the period, for which the minimum reserve requirements are determined, and balances on accounts in the national currency with NBRK) equal to or in excess of the average minimum requirements. As at 31 December 2022 the minimum reserves amounted to KZT 32,021,925 thousand (31 December 2021: KZT 28,350,084 thousand).

13 Financial assets at fair value through other comprehensive income

	31 December 2022 KZT'000	31 December 2021 KZT'000
Held by the Group		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	78,932,285	92,575,025
US treasury bonds	1,654,536	846,876
Bonds of development banks		
Asian Development Bank bonds	-	2,963,111
Eurasian Development Bank bonds	1,038,434	2,683,166
Corporate bonds		
Corporate bonds, rated from BBB- to BBB+	10,160,308	24,931,838
Corporate bonds, not rated	9,050,551	-
	100,836,114	**124,000,016**
Pledged as security of other borrowed funds		
Corporate bonds, rated from BBB- to BBB+ (Note 23)	7,839,694	-
Corporate bonds, rated from BB- to BB+ (Note 23)	3,146,018	-
	10,985,712	**-**
	111,821,826	**124,000,016**
Allowance for expected credit losses*	(5,929,413)	(43,408)
Total financial assets measured at fair value through other comprehensive income (carrying amount)	**111,821,826**	**124,000,016**

The above table is based on the credit ratings assigned by Fitch Ratings agency or other agencies converted into Fitch Ratings' scale.

**The above loss allowance is not recognised in the consolidated statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.*

As at 31 December 2022, financial assets at fair value through other comprehensive income (not rated) with total fair value of KZT 9,050,551 thousand comprise bonds of the Russian issuers which currently are rated CCC by the Group for the purpose of calculating expected credit losses as at 31 December 2022, except for the credit rating of the issuers with defaulted bonds with fair value of KZT 63,638 thousand as at 31 December 2022 (before withdrawal of credit ratings, the issuers of bonds with carrying amount of KZT 8,468,722 thousand were rated from BBB- to BBB, the issuers of bonds with carrying amount of KZT 581,829 thousand were rated BB) (31 December 2021: none).

As at 31 December 2022, financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 102,771,274 thousand (gross carrying amount being KZT 102,871,656 thousand) are categorised into Stage 1 of credit risk grade; financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 8,986,914 thousand (gross carrying amount being KZT 12,668,495 thousand) are categorised into Stage 2 of credit risk grade; financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 63,638 thousand (gross carrying amount being KZT 2,211,088 thousand) are categorised into Stage 3 of credit risk grade (31 December 2021: all financial assets measured at fair value through other comprehensive income with the carrying amount of KZT 124,000,016 thousand (gross carrying amount being KZT 124,043,424 thousand) were categorised into Stage 1 of credit risk grade.

PD value for securities for which loss allowance is recognised as 12-month expected credit losses ranges from 0.37% to 5.00%; PD value for not credit-impaired securities for which loss allowance is recognised in full, i.e. during the lifetime of the asset, ranges from 7.10% to 19.90%. LGD value applicable to securities by issuer's industry ranges from 56.00% to 70.65%. PD and LGD values are based on the statistics published by Moody's international rating agency.

As at 31 December 2022, allowance for expected credit losses on financial assets measured fair value through other comprehensive income was KZT 5,929,413 thousand (31 December 2021: KZT 43,408 thousand).

The following table shows reconciliations from opening and closing balances of the loss allowance on financial assets measured at fair value through other comprehensive income for 2022:

KZT'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	**43,408**	**-**	**-**	**43,408**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(14,019)	14,019	-	-
Transfer to Stage 3	(6,054)	-	6,054	-
Net remeasurement of loss allowance	74,511	3,652,144	2,133,445	5,860,100
Effect of foreign exchange differences	2,536	15,418	7,951	25,905
Balance at 31 December 2022	**100,382**	**3,681,581**	**2,147,450**	**5,929,413**

The following table shows reconciliations from opening and closing balances of the loss allowance on financial assets measured at fair value through other comprehensive income for 2021:

KZT'000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**44,185**	**-**	**-**	**44,185**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	11,851	-	-	11,851
Effect of foreign exchange differences	(12,628)	-	-	(12,628)
Balance at 31 December 2021	**43,408**	**-**	**-**	**43,408**

14 Deposits and balances with banks

	31 December 2022 KZT'000	31 December 2021 KZT'000
Term deposits		
- conditional deposit with the NBRK	2,007,734	2,012,871
- account with Development Bank of Kazakhstan JSC	2,112,962	-
- rated from AA- to AA+	5,045,962	1,771,485
- rated from A- to A+	2,684,082	2,348,522
- rated from BB- to BB+	-	111,256
- not rated	142,300	69,000
Total term deposits	**11,993,040**	**6,313,134**
Loans to banks		
- rated from B- to B+	-	623,205
Total loans to banks	**-**	**623,205**
Total deposits and balances with banks measured at amortised cost before allowance for expected credit losses	**11,993,040**	**6,936,339**
Allowance for expected credit losses	(1,968)	(1,586)
Total deposits and balances with banks	**11,991,072**	**6,934,753**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

As at 31 December 2022 and 2021, all deposits and balances with banks are categorised into Stage 1 of the credit risk grade.

As at 31 December 2022 conditional deposit with the NBRK consists of funds of KZT 676,274 thousand (31 December 2021: KZT 513,729 thousand) received from Development Bank of Kazakhstan JSC ("DBK JSC") and 1,331,460 thousand (31 December 2021: KZT 1,499,142 thousand) received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") in accordance with the loan agreements with DBK JSC and EDF DAMU JSC. The funds will be distributed as loans to corporates and individuals on special preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK JSC and EDF DAMU JSC, respectively.

As at 31 December 2022, balance of KZT 2,112,962 thousand on the account with Development Bank of Kazakhstan JSC comprises funds received from Industrial Development Fund JSC as part of the state programme of preferential car loans (Note 23) (31 December 2021: no balances on the accounts with Development Bank of Kazakhstan JSC).

Concentration of accounts and deposits with banks

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

15 Loans to customers

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans to customers measured at amortised cost		
Loans to corporate customers		
Loans to large corporates	373,690,379	267,538,980
Loans to small- and medium-size companies	34,724,805	17,808,032
Total loans to corporate customers	**408,415,184**	**285,347,012**
Loans to retail customers		
Uncollateralised consumer loans	473,500,800	299,436,789
Car loans	331,829,331	188,681,361
Mortgage loans	7,483,490	8,877,471
Non-program loans on individual terms	9,630,087	6,565,039
Loans for individual entrepreneurship	3,943,175	3,236,875
Loans under *Business Auto* Program	4,291,795	4,494,794
Total loans to retail customers	**830,678,678**	**511,292,329**
Loans to customers measured at amortised cost before allowance for expected credit losses	**1,239,093,862**	**796,639,341**
Allowance for expected credit losses	(179,836,777)	(161,301,018)
Loans to customers measured at amortised cost net of allowance for expected credit losses	**1,059,257,085**	**635,338,323**

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2022 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Allowance for expected credit losses at the beginning of the year	**24,177,506**	**2,969,617**	**132,951,227**	**1,202,668**	**161,301,018**
Transfer to Stage 1	2,046,567	(1,456,250)	(590,317)	-	-
Transfer to Stage 2	(2,540,602)	25,394,275	(22,853,673)	-	-
Transfer to Stage 3	(3,015,772)	(5,624,634)	8,640,406	-	-
Net remeasurement of loss allowance*	(13,715,142)	(5,501,579)	10,722,220	(628,405)	(9,122,906)
New financial assets originated or purchased	27,365,248	-	-	-	27,365,248
(Write-offs of loans)/recovery of previously written off loans	-	-	(11,287,098)	1,040,385	(10,246,713)
Unwinding of discount on present value of expected credit losses	-	-	9,541,821	92,017	9,633,838
Recognition of POCI-assets	-	-	(413,747)	-	(413,747)
Foreign exchange and other movements	420,742	(494,646)	1,393,943	-	1,320,039
Allowance for expected credit losses at the end of the year	**34,738,547**	**15,286,783**	**128,104,782**	**1,706,665**	**179,836,777**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Allowance for expected credit losses at the beginning of the year	**3,898,203**	**984,644**	**75,574,120**	**856,448**	**81,313,415**
Transfer to Stage 1	7,308	(7,308)	-	-	-
Transfer to Stage 2	(543,834)	15,398,214	(14,854,380)	-	-
Transfer to Stage 3	(1,063,123)	(1,370,882)	2,434,005	-	-
Net remeasurement of loss allowance*	(1,227,525)	(3,192,241)	(594,420)	(539,043)	(5,553,229)
New financial assets originated or purchased	1,503,644	-	-	-	1,503,644
(Write-offs of loans)/recovery of previously written off loans	-	-	(12,691,631)	487,864	(12,203,767)
Unwinding of discount on present value of expected credit losses	-	-	4,018,364	22	4,018,386
Recognition of POCI-assets	-	-	(2,618)	-	(2,618)
Foreign exchange and other movements	131,407	(440,096)	1,608,970	-	1,300,281
Allowance for expected credit losses at the end of the year	**2,706,080**	**11,372,331**	**55,492,410**	**805,291**	**70,376,112**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Allowance for expected credit losses at the beginning of the year	20,279,303	1,984,973	57,377,107	346,220	79,987,603
Transfer to Stage 1	2,039,259	(1,448,942)	(590,317)	-	-
Transfer to Stage 2	(1,996,768)	9,996,061	(7,999,293)	-	-
Transfer to Stage 3	(1,952,649)	(4,253,752)	6,206,401	-	-
Net remeasurement of loss allowance*	(12,487,617)	(2,309,338)	11,316,640	(89,362)	(3,569,677)
New financial assets originated or purchased	25,861,604	-	-	-	25,861,604
Recovery of previously written off loans	-	-	1,404,533	552,521	1,957,054
Unwinding of discount on present value of expected credit losses	-	-	5,523,457	91,995	5,615,452
Recognition of POCI-assets	-	-	(411,129)	-	(411,129)
Foreign exchange and other movements	289,335	(54,550)	(215,027)	-	19,758
Allowance for expected credit losses at the end of the year	**32,032,467**	**3,914,452**	**72,612,372**	**901,374**	**109,460,665**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

Movements in the impairment allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2021 are as follows:

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Allowance for expected credit losses at the beginning of the year	**16,730,121**	**10,053,242**	**100,047,970**	**689,683**	**127,521,016**
Transfer to Stage 1	6,585,593	(2,562,952)	(4,022,641)	-	-
Transfer to Stage 2	(684,546)	6,912,184	(6,227,638)	-	-
Transfer to Stage 3	(841,983)	(10,702,123)	11,544,106	-	-
Net remeasurement of loss allowance*	(16,295,221)	(730,238)	31,253,216	(581,807)	13,645,950
New financial assets originated or purchased	18,232,024	-	-	-	18,232,024
(Write-offs of loans)/recovery of previously written off loans	-	-	(8,202,941)	1,062,963	(7,139,978)
Unwinding of discount on present value of expected credit losses	-	-	9,743,294	31,829	9,775,123
Recognition of POCI-assets	-	-	(948,676)	-	(948,676)
Foreign exchange and other movements	451,518	(496)	(235,463)	-	215,559
Allowance for expected credit losses at the end of the year	**24,177,506**	**2,969,617**	**132,951,227**	**1,202,668**	**161,301,018**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – corporate customers					
Allowance for expected credit losses at the beginning of the year	**1,715,971**	**5,992,250**	**49,238,585**	**551,087**	**57,497,893**
Transfer to Stage 1	1,931	(1,931)	-	-	-
Transfer to Stage 2	(715)	715	-	-	-
Transfer to Stage 3	(6,400)	(8,424,985)	8,431,385	-	-
Net remeasurement of loss allowance*	988,467	3,418,744	20,986,752	(86,324)	25,307,639
New financial assets originated or purchased	1,197,592	-	-	-	1,197,592
(Write-offs of loans)/recovery of previously written off loans	-	-	(7,969,815)	369,746	(7,600,069)
Unwinding of discount on present value of expected credit losses	-	-	4,962,986	21,939	4,984,925
Recognition of POCI-assets	-	-	(19,374)	-	(19,374)
Foreign exchange and other movements	1,357	(149)	(56,399)	-	(55,191)
Allowance for expected credit losses at the end of the year	**3,898,203**	**984,644**	**75,574,120**	**856,448**	**81,313,415**

KZT'000	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost – retail customers					
Allowance for expected credit losses at the beginning of the year	**15,014,150**	**4,060,992**	**50,809,385**	**138,596**	**70,023,123**
Transfer to Stage 1	6,583,662	(2,561,021)	(4,022,641)	-	-
Transfer to Stage 2	(683,831)	6,911,469	(6,227,638)	-	-
Transfer to Stage 3	(835,583)	(2,277,138)	3,112,721	-	-
Net remeasurement of loss allowance*	(17,283,688)	(4,148,982)	10,266,464	(495,483)	(11,661,689)
New financial assets originated or purchased	17,034,432	-	-	-	17,034,432
(Write-offs of loans)/recovery of previously written off loans	-	-	(233,126)	693,217	460,091
Unwinding of discount on present value of expected credit losses	-	-	4,780,308	9,890	4,790,198
Recognition of POCI-assets	-	-	(929,302)	-	(929,302)
Foreign exchange and other movements	450,161	(347)	(179,064)	-	270,750
Allowance for expected credit losses at the end of the year	**20,279,303**	**1,984,973**	**57,377,107**	**346,220**	**79,987,603**

** Includes changes in models/risk parameters, effect of repayments (including early repayments).*

During 2022, the Group has written off loans of KZT 10,246,713 thousand, which resulted in decrease in allowance for expected credit losses on loans categorised into Stage 3 and POCI-assets for the same amount (2021: KZT 7,139,978 thousand).

The high volume of loans to customers originated during the year has caused increase in the gross book value of the loan portfolio by KZT 1,139,719,734 thousand, (2021: KZT 641,526,999 thousand), with a corresponding increase of loss allowance assessed on a 12-month basis by KZT 27,365,248 thousand (2021: KZT 18,232,024 thousand).

The high volume of loans repaid during the year has caused decrease in the gross carrying amount of the loan portfolio by KZT 859,911,368 thousand, including accrued interest (2021: KZT 628,615,340 thousand) with a corresponding decrease in the loss allowance by KZT 36,508,598 thousand (2021: KZT 33,252,526 thousand).

The following table provides information by types of loan products for loans measured at amortised cost as at 31 December 2022:

KZT'000	**Gross amount**	**Allowance for expected credit losses**	**Carrying amount**
Loans to corporate customers			
Loans to large corporates	373,690,379	(65,671,550)	308,018,829
Loans to small- and medium-size companies	34,724,805	(4,704,562)	30,020,243
Loans to retail customers			
Uncollateralised consumer loans	473,500,800	(91,064,078)	382,436,722
Car loans	331,829,331	(14,750,697)	317,078,634
Mortgage loans	7,483,490	(1,094,867)	6,388,623
Non-program loans on individual terms	9,630,087	(1,390,721)	8,239,366
Loans for individual entrepreneurship	3,943,175	(1,020,476)	2,922,699
Loans under *Business Auto* Program	4,291,795	(139,826)	4,151,969
Total loans to customers	**1,239,093,862**	**(179,836,777)**	**1,059,257,085**

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

KZT'000	**Gross amount**	**Allowance for expected credit losses**	**Carrying amount**
Loans to corporate customers			
Loans to large corporates	267,538,980	(76,493,453)	191,045,527
Loans to small- and medium-size companies	17,808,032	(4,819,962)	12,988,070
Loans to retail customers			
Uncollateralised consumer loans	299,436,789	(65,544,171)	233,892,618
Car loans	188,681,361	(10,307,231)	178,374,130
Mortgage loans	8,877,471	(1,188,959)	7,688,512
Non-program loans on individual terms	6,565,039	(1,554,783)	5,010,256
Loans for individual entrepreneurship	3,236,875	(1,160,110)	2,076,765
Loans under *Business Auto* Program	4,494,794	(232,349)	4,262,445
Total loans to customers	**796,639,341**	**(161,301,018)**	**635,338,323**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2022.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	71,708,788	-	-	-	71,708,788
Low risk	183,591,516	-	-	-	183,591,516
Medium risk	17,965,423	41,948,089	5,621,860	-	65,535,372
Increased risk	-	-	3,020,500	-	3,020,500
Problem	-	-	1,182,395	331,977	1,514,372
High risk	-	-	47,508,904	810,927	48,319,831
Total loans to large corporates	**273,265,727**	**41,948,089**	**57,333,659**	**1,142,904**	**373,690,379**
Loss allowance	(2,629,469)	(11,372,137)	(50,864,801)	(805,143)	(65,671,550)
Carrying amount	**270,636,258**	**30,575,952**	**6,468,858**	**337,761**	**308,018,829**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	8,545,707	-	-	-	8,545,707
Low risk	8,765,620	129,215	-	248,939	9,143,774
Medium risk	4,870,691	9,885	513,129	128,037	5,521,742
Problem	-	-	106,032	-	106,032
High risk	-	-	4,757,069	-	4,757,069
Not rated	1,756,375	-	18,063	-	1,774,438
Not rated (secured with cash)	4,876,043	-	-	-	4,876,043
Total loans to small- and medium-size companies	**28,814,436**	**139,100**	**5,394,293**	**376,976**	**34,724,805**
Loss allowance	(76,611)	(194)	(4,627,609)	(148)	(4,704,562)
Carrying amount	**28,737,825**	**138,906**	**766,684**	**376,828**	**30,020,243**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	293,490,735	1,563,625	5,153,693	292,514	300,500,567
Overdue less than 30 days	12,844,191	699,243	1,332,113	45,565	14,921,112
Overdue 30-89 days	-	5,453,962	849,336	11,396	6,314,694
Overdue 90-179 days	-	20,066	3,196,638	-	3,216,704
Overdue 180-360 days	-	-	1,894,939	-	1,894,939
Overdue more than 360 days	-	-	4,981,126	189	4,981,315
	306,334,926	**7,736,896**	**17,407,845**	**349,664**	**331,829,331**
Loss allowance	(3,666,576)	(583,081)	(10,303,958)	(197,082)	(14,750,697)
Net car loans	**302,668,350**	**7,153,815**	**7,103,887**	**152,582**	**317,078,634**
Uncollateralised consumer loans					
Not overdue	374,536,366	2,232,138	10,747,628	576,877	388,093,009
Overdue less than 30 days	17,076,420	789,339	1,704,608	89,401	19,659,768
Overdue 30-89 days	151,856	10,498,931	1,371,973	35,474	12,058,234
Overdue 90-179 days	-	66,041	10,641,438	15,301	10,722,780
Overdue 180-360 days	-	-	11,402,292	16,643	11,418,935
Overdue more than 360 days	-	-	31,546,364	1,710	31,548,074
	391,764,642	**13,586,449**	**67,414,303**	**735,406**	**473,500,800**
Loss allowance	(28,110,438)	(3,298,024)	(59,016,729)	(638,887)	(91,064,078)
Carrying amount	**363,654,204**	**10,288,425**	**8,397,574**	**96,519**	**382,436,722**
Non-program loans on individual terms					
Not overdue	7,859,260	-	362,853	14,497	8,236,610
Overdue 30-89 days	-	-	30,839	-	30,839
Overdue 180-360 days	-	-	-	25,974	25,974
Overdue more than 360 days	-	-	1,284,359	52,305	1,336,664
	7,859,260	**-**	**1,678,051**	**92,776**	**9,630,087**
Loss allowance	(15,899)	-	(1,315,017)	(59,805)	(1,390,721)
Carrying amount	**7,843,361**	**-**	**363,034**	**32,971**	**8,239,366**
Mortgage loans					
Not overdue	5,368,854	101,071	290,382	147,393	5,907,700
Overdue less than 30 days	154,054	40,487	116,272	-	310,813
Overdue 30-89 days	-	68,340	53,674	-	122,014
Overdue 90-179 days	-	-	54,176	-	54,176
Overdue 180-360 days	-	-	21,921	1,269	23,190
Overdue more than 360 days	-	-	1,026,406	39,191	1,065,597
	5,522,908	**209,898**	**1,562,831**	**187,853**	**7,483,490**
Loss allowance	(55,229)	(18,190)	(1,016,466)	(4,982)	(1,094,867)
Carrying amount	**5,467,679**	**191,708**	**546,365**	**182,871**	**6,388,623**
Loans for individual entrepreneurship					
Not overdue	2,761,622	-	18,292	700	2,780,614
Overdue less than 30 days	40,104	-	12,043	-	52,147
Overdue 30-89 days	-	35,058	-	-	35,058
Overdue 90-179 days	-	-	13,523	-	13,523
Overdue 180-360 days	-	-	13,556	-	13,556
Overdue more than 360 days	-	-	1,047,691	586	1,048,277
	2,801,726	**35,058**	**1,105,105**	**1,286**	**3,943,175**
Loss allowance	(58,324)	(11,145)	(950,389)	(618)	(1,020,476)
Carrying amount	**2,743,402**	**23,913**	**154,716**	**668**	**2,922,699**
Loans under *Business Auto* Program					
Not overdue	4,149,610	22,488	13,671	-	4,185,769
Overdue less than 30 days	53,282	-	-	-	53,282
Overdue 30-89 days	-	30,585	-	-	30,585
Overdue 90-179 days	-	-	7,792	-	7,792
Overdue 180-360 days	-	-	2,556	-	2,556
Overdue more than 360 days	-	-	11,811	-	11,811
	4,202,892	**53,073**	**35,830**	**-**	**4,291,795**
Loss allowance	(126,001)	(4,012)	(9,813)	-	(139,826)
Carrying amount	**4,076,891**	**49,061**	**26,017**	**-**	**4,151,969**

The following table provides information on the credit quality of loans to customers measured at amortised cost as at 31 December 2021.

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Loans to customers at amortised cost – corporate customers					
Not externally rated:					
Standard	37,388,543	-	-	-	37,388,543
Low risk	111,114,704	333,755	-	-	111,448,459
Medium risk	9,133,120	5,465,781	3,249,693	798,080	18,646,674
Increased risk	-	-	62,978,039	-	62,978,039
Problem	-	-	5,567,675	-	5,567,675
High risk	-	-	30,519,141	990,449	31,509,590
Total loans to large corporates	**157,636,367**	**5,799,536**	**102,314,548**	**1,788,529**	**267,538,980**
Loss allowance	(3,859,519)	(984,644)	(70,792,968)	(856,322)	(76,493,453)
Carrying amount	**153,776,848**	**4,814,892**	**31,521,580**	**932,207**	**191,045,527**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets on initial recognition	Total
Loans to customers at amortised cost – small- and medium-size companies					
Not externally rated:					
Standard	5,819,167	41,747	-	-	5,860,914
Low risk	3,148,100	336,892	-	-	3,484,992
Medium risk	-	-	361,814	379,687	741,501
Problem	-	-	145,920	-	145,920
High risk	-	-	5,045,448	-	5,045,448
Not rated	181,238	-	36,968	-	218,206
Not rated (secured with cash)	2,311,051	-	-	-	2,311,051
Total loans to small- and medium-size companies	**11,459,556**	**378,639**	**5,590,150**	**379,687**	**17,808,032**
Loss allowance	(38,684)	-	(4,781,152)	(126)	(4,819,962)
Carrying amount	**11,420,872**	**378,639**	**808,998**	**379,561**	**12,988,070**

KZT'000	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Credit-impaired assets at initial recognition	Total
Car loans					
Not overdue	169,793,464	2,047,639	3,459,021	79,290	175,379,414
Overdue less than 30 days	4,134,452	697,245	1,439,661	6,996	6,278,354
Overdue 30-89 days	-	808,293	600,618	-	1,408,911
Overdue 90-179 days	-	14,925	835,791	-	850,716
Overdue 180-360 days	-	-	1,036,910	136	1,037,046
Overdue more than 360 days	-	-	3,726,920	-	3,726,920
	173,927,916	**3,568,102**	**11,098,921**	**86,422**	**188,681,361**
Loss allowance	(2,175,590)	(276,388)	(7,798,004)	(57,249)	(10,307,231)
Net car loans	**171,752,326**	**3,291,714**	**3,300,917**	**29,173**	**178,374,130**
Uncollateralised consumer loans					
Not overdue	233,446,109	3,057,782	8,722,944	91,360	245,318,195
Overdue less than 30 days	7,497,846	1,012,623	2,443,646	11,917	10,966,032
Overdue 30-89 days	674	2,898,343	1,756,773	2,833	4,658,623
Overdue 90-179 days	-	18,828	3,509,979	1,676	3,530,483
Overdue 180-360 days	-	-	12,613,352	209	12,613,561
Overdue more than 360 days	-	-	22,349,895	-	22,349,895
	240,944,629	**6,987,576**	**51,396,589**	**107,995**	**299,436,789**
Loss allowance	(17,765,064)	(1,678,013)	(46,004,437)	(96,657)	(65,544,171)
Carrying amount	**223,179,565**	**5,309,563**	**5,392,152**	**11,338**	**233,892,618**
Non-program loans on individual terms					
Not overdue	4,633,391	-	258,732	41,008	4,933,131
Overdue less than 30 days	-	-	3,132	52,930	56,062
Overdue 180-360 days	-	-	71,724	-	71,724
Overdue more than 360 days	-	-	1,504,122	-	1,504,122
	4,633,391	**-**	**1,837,710**	**93,938**	**6,565,039**
Loss allowance	(2,007)	-	(1,489,223)	(63,553)	(1,554,783)
Carrying amount	**4,631,384**	**-**	**348,487**	**30,385**	**5,010,256**
Mortgage loans					
Not overdue	6,445,681	196,803	370,882	138,680	7,152,046
Overdue less than 30 days	111,043	46,355	80,020	-	237,418
Overdue 30-89 days	-	69,675	88,474	-	158,149
Overdue 90-179 days	-	-	87,791	88	87,879
Overdue 180-360 days	-	-	36,238	16,143	52,381
Overdue more than 360 days	-	-	1,147,764	41,834	1,189,598
	6,556,724	**312,833**	**1,811,169**	**196,745**	**8,877,471**
Loss allowance	(65,567)	(12,864)	(1,007,499)	(103,029)	(1,188,959)
Carrying amount	**6,491,157**	**299,969**	**803,670**	**93,716**	**7,688,512**
Loans for individual entrepreneurship					
Not overdue	1,813,006	147,260	6,067	28,126	1,994,459
Overdue less than 30 days	12,329	2,107	7,641	-	22,077
Overdue 30-89 days	-	3,670	2,049	-	5,719
Overdue 90-179 days	-	-	4,951	472	5,423
Overdue 180-360 days	-	-	7,542	-	7,542
Overdue more than 360 days	-	-	1,201,069	586	1,201,655
	1,825,335	**153,037**	**1,229,319**	**29,184**	**3,236,875**
Loss allowance	(50,820)	(5,614)	(1,077,944)	(25,732)	(1,160,110)
Carrying amount	**1,774,515**	**147,423**	**151,375**	**3,452**	**2,076,765**
Loans under *Business Auto* Program					
Not overdue	4,406,297	69,223	-	-	4,475,520
Overdue less than 30 days	7,671	-	-	-	7,671
Overdue 30-89 days	-	11,603	-	-	11,603
	4,413,968	**80,826**	**-**	**-**	**4,494,794**
Loss allowance	(220,255)	(12,094)	-	-	(232,349)
Carrying amount	**4,193,713**	**68,732**	**-**	**-**	**4,262,445**

(b) Key assumptions and judgments used in estimation of expected credit losses

(i) Loans to corporate customers

In determining the allowance for expected credit losses on loans to corporate customers, management makes the following key assumptions:

- a discount of between 30% and 60% to the originally appraised value if the property pledged is sold;
- collateral includes only such types of collateral as movable and immovable assets and other security which enhances credit quality;
- a delay of up to 36 months in obtaining proceeds from the foreclosure of collateral;
- PD value for loans for which loss allowance is recognised as 12-month expected credit losses ranges from 0.10% to 16.16%, PD value for not credit-impaired loans for which loss allowance is recognised in full, i.e. during lifetime of the asset, ranges mainly from 27.19% to 50.21%, depending on the borrower's internal rating;
- LGD value for loans categorised into Stages 1 and 2 in terms of credit quality ranged from 0% to 76.40%, and that for loans categorised into as Stage 3 in terms of credit quality ranged from 0% to 100%.

Changes in the above estimates may impact allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, allowance for expected credit losses on loans to corporate customers as at 31 December 2022 would be KZT 3,380,391 thousand lower/higher (31 December 2021: KZT 2,040,336 thousand lower/higher).

(ii) Loans to retail customers and other loans measured on a collective basis

The Group estimates allowance for expected credit losses for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the allowance for expected credit losses for loans to retail customers include:

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 5-8 years; a 12-month PD for groups of products categorised into Stage 1 in terms of credit quality was 1.11-14.84% (minimum value of 1.11% relates to the "SME" product and maximum value of 14.84% relates to the "UnCL" product ("Uncollateralised consumer loans")); lifetime PD categorized into Stage 2 in terms of credit quality was 5.67-47.40%, depending on the group of products of homogeneous retail portfolio (minimum value of 5.67% relates to the "Preferential car loans" product and maximum value of 47.40% relates to the "UnCL" product ("Uncollateralised consumer loans"));
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 5-8 years; LGD for products of homogeneous portfolio categorised into Stages 1 and 2 was 27.81% for the "CAR" product ("car loans") and up to 68.52% for the "POS" product (Uncollateralised consumer loans). Recovery rate for products of homogeneous portfolio categorised into Stage 3 varied from 2.0% for the "Business POS" product to 100% for the "Uncollateralised consumer loans" product;
- a delay of up to 24 months in obtaining proceeds from the sale of foreclosed collateral;
- there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realisation period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be made at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts.

Changes in the above estimates may impact allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, allowance for expected credit losses on loans to retail customers as at 31 December 2022 would be KZT 21,636,540 thousand lower/higher (31 December 2021: KZT 12,939,142 thousand lower/higher).

(c) Analysis of collateral

(i) Loans to corporate customers

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, by types of collateral:

31 December 2022 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Vehicles	92,651,781	92,576,976	74,805	-
Real estate	72,300,453	58,590,075	13,710,378	-
Corporate guarantees (unrated) and guarantees of individuals	37,313,048	-	-	37,313,048
Insurance	27,068,283	-	-	27,068,283
Goods in turnover	9,152,335	9,152,335	-	-
Cash and deposits	14,675,146	14,675,146	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	9,472,098	-	-	9,472,098
Equipment	3,612,133	3,612,133	-	-
Construction-in-progress	1,326,604	-	1,326,604	-
Mineral rights	640,468	640,468	-	-
Other collateral	1,110,447	1,110,447	-	-
No collateral and other credit enhancements	60,766,145	-	-	60,766,145
Total unimpaired loans	**330,088,941**	**180,357,580**	**15,111,787**	**134,619,574**
Credit-impaired loans				
Real estate	6,155,780	2,901,036	3,254,744	-
Insurance	958,067	-	-	958,067
Corporate guarantees (issued by legal entities with government participation or having high rating)	238,758	-	-	238,758
Equipment	131,287	68,422	62,865	-
Corporate guarantees (unrated) and guarantees of individuals	75,706	-	-	75,706
Cash and deposits	4,339	4,339	-	-
No collateral and other credit enhancements	386,194	-	-	386,194
Total credit-impaired loans	**7,950,131**	**2,973,797**	**3,317,609**	**1,658,725**
Total loans to corporate customers measured at amortised cost	**338,039,072**	**183,331,377**	**18,429,396**	**136,278,299**

31 December 2021 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans measured at amortised cost				
Loans not credit-impaired				
Vehicles	58,513,081	58,462,353	50,728	-
Corporate guarantees (unrated) and guarantees of individuals	30,936,126	-	-	30,936,126
Real estate	21,901,698	17,818,481	4,083,217	-
Insurance	10,121,776	-	-	10,121,776
Cash and deposits	8,107,814	8,107,814	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	2,720,631	-	-	2,720,631
Equipment	2,602,004	2,602,004	-	-
Goods in turnover	1,676,383	-	-	1,676,383
Mineral rights	287,142	287,142	-	-
Property/money in the future	17,692	17,692	-	-
Other collateral	1,526,701	1,526,701	-	-
No collateral and other credit enhancements	31,980,203	-	-	31,980,203
Total unimpaired loans	**170,391,251**	**88,822,187**	**4,133,945**	**77,435,119**
Credit-impaired loans				
Real estate	33,432,414	33,432,414	-	-
Equipment	115,068	115,068	-	-
Cash and deposits	43,606	43,606	-	-
Corporate guarantees (issued by legal entities with government participation or having high rating)	37,250	-	-	37,250
Corporate guarantees (unrated) and guarantees of individuals	12,387	-	-	12,387
Vehicles	621	621	-	-
No collateral and other credit enhancements	1,000	-	-	1,000
Total credit-impaired loans	**33,642,346**	**33,591,709**	**-**	**50,637**
Total loans to corporate customers measured at amortised cost	**204,033,597**	**122,413,896**	**4,133,945**	**77,485,756**

The tables above exclude overcollateralization.

The key assumptions with respect to Stage 3 impaired loans is the valuation of underlying real estate collateral. This is valued at the reporting date, by using a combination of income approach and comparative sales method. The Group engages third-party appraisers to value more significant and specialised items of collateral.

The Group also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral was not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any. For loans secured by multiple types of collateral, collateral that is most relevant for assessment is disclosed. Sureties and collateral received from individuals, such as shareholders of small- and medium-sized borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

The recoverability of loans to corporate customers which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Auto loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 458,545 thousand (31 December 2021: KZT 576,478 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 64,117 thousand (31 December 2021: KZT 82,501 thousand).

Management believes that fair value of collateral for mortgage loans with a net carrying amount of KZT 5,930,078 thousand (31 December 2021: KZT 7,112,034 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised collateral values obtained at inception of the loan to the present value considering the approximate changes in the value of properties. The Group obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for mortgage loans with a net carrying amount of KZT 842,800 thousand (31 December 2021: KZT 1,690,793 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Loans for individual entrepreneurship

Included in loans for individual entrepreneurship are loans with a net carrying amount of KZT 538,573 thousand (31 December 2021: KZT 381,119 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 5,000 thousand (31 December 2021: KZT 0.00).

Management believes that the fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 2,384,126 thousand (31 December 2021: KZT 1,695,646 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised collateral values obtained at inception of the loan to the present value considering the approximate changes in the value of properties. The Group obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for loans for individual entrepreneurship with a net carrying amount of KZT 864,585 thousand (31 December 2021: KZT 40,252 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Non-programme loans issued on individual terms

Included in non-programme loans on individual terms are loans with a net carrying amount of KZT 0.00 (31 December 2021: KZT 1,650 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 0.00 (31 December 2021: KZT 440 thousand).

Management believes that the fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 8,239,366 thousand (31 December 2021: KZT 5,008,606 thousand) is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised collateral values obtained at inception of the loan to the present value considering the approximate changes in the value of properties. The Group obtains specific individual valuation of collateral for individual loans once every half year in case there are indications of impairment.

The fair value of collateral for non-programme loans on individual terms with a net carrying amount of KZT 1,150,689 thousand (31 December 2021: KZT 260,525 thousand) was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Included in car loan portfolio are loans with a net carrying amount of KZT 17,502,792 thousand (31 December 2021: KZT 2,692,508 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 11,833,710 thousand (31 December 2021: KZT 244,524 thousand).

Management believes that fair value of collateral for car loans with a net carrying amount of KZT 299,575,842 thousand (31 December 2021: KZT 175,681,622 thousand), is at least equal to the carrying amount of individual loans at the reporting date.

(d) Industry and geographical analysis of the loan portfolio

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans to customers at amortised cost		
Machinery manufacturing	77,670,246	55,918,298
Wholesale trade	73,917,834	45,281,034
Retail trade	54,329,446	34,162,571
Construction	41,001,882	56,726,589
Financial intermediation	28,460,578	17,080,261
Services	27,284,840	19,530,790
Food production	27,109,338	15,279,496
Real estate	26,240,316	14,778,756
Industrial manufacturing	13,163,502	5,508,174
Transport	12,471,132	912,245
Textile manufacturing	9,205,855	9,713,407
Agriculture, forestry, and timber industry	4,732,004	6,764,147
Mining and metals industry	4,327,206	2,304,695
Health care and social services	4,263,413	328,349
Lease, rental, and leasing	1,478,809	351,724
Electric power generation and supply	30,122	30,122
Other	2,728,661	676,354
Loans to retail customers at amortised cost		
Unsecured consumer loans	473,500,800	299,436,789
Car loans	331,829,331	188,681,361
Mortgage loans	7,483,490	8,877,471
Non-programme loans issued on individual terms	9,630,087	6,565,039
Loans for individual entrepreneurship	3,943,175	3,236,875
Loans under Business Auto Programme	4,291,795	4,494,794
	1,239,093,862	**796,639,341**
Allowance for expected credit losses	(179,836,777)	(161,301,018)
Total loans to customers at amortised cost	**1,059,257,085**	**635,338,323**

As at 31 December 2022, the Group has 2 borrowers or groups of related borrowers (31 December 2021: 5), whose loan balances exceed 10% of equity. The gross value of these balances (before allowance for expected credit losses) as at 31 December 2022 is KZT 110,529,406 thousand (31 December 2021: KZT 148,578,479 thousand).

(e) Loan maturities

Maturities of the loan portfolio as at the reporting date is presented in Note 28(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(f) Transfer of financial assets

In 2022, as part of its participation in the state mortgage programmes "7-20-25" and Market Mortgage Product ("Baspana Hit") the Group transferred to Kazakhstan Sustainability Fund JSC the mortgage loans of KZT 181,565 thousand (2021: KZT 1,282,955 thousand). The Group determined that it has not transferred risks and rewards to the buyer of the assets and therefore, retains control and continues recognising loans in its consolidated statement of financial position. The liability from continuing involvement in the asset is included in "other liabilities" and amounts to KZT 3,192,377 thousand (2021: KZT 3,619,095 thousand).

During 2022 and 2021, the Group did not sell other consumer loans to third parties.

In December 2013 and in June 2014, the Group sold to a third party a mortgage loan portfolio with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided to the buyer an option to repurchase individual loans or exchange them for individual loans if loans become delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. The net gain recognised in the consolidated statement of profit or loss and other comprehensive income at the date of transfer was KZT 149,521 thousand. The Group determined that it has transferred some but not substantially all of the risks and rewards to the transferee; as such, the Group retains control and continues to recognise the loans to the extent of its continuing involvement in those mortgage loans.

As at 31 December 2022, the Group's continuing involvement in the transferred portfolio is recorded in the consolidated statement of financial position, in "other assets" (Note 18), for a total of KZT 17,709 thousand (31 December 2021: KZT 18,048 thousand) and the related liability on continuing involvement included in "other liabilities" for a total of KZT 13,147 thousand (31 December 2021: KZT 16,911 thousand) (Note 24).

(g) Loans issued under the Government programmes

During 2022, the Group provided financing to 660 borrowers from the funds of DBK JSC totalling KZT 7,229,155 thousand; to 40 borrowers from the funds of DAMU JSC totalling KZT 7,227,319 thousand, and to 4,284 borrowers from the funds of Industrial Development Fund JSC ("IDF JSC") totalling KZT 34,674,744 thousand (2021: DBK JSC– funding to 147 borrowers totalling KZT 1,896,096 thousand, DAMU JSC – funding to 164 borrowers totalling KZT 9,564,713 thousand, and KSF JSC – funding to 2 borrowers totalling KZT 5,971,242 thousand). These amounts of financing include funds utilised within the open credit facility limits, including those on a revolving basis.

As at 31 December 2022, the balance of principal debt and interest on loans financed using the funds provided under the state programmes amounted to KZT 55,297,016 thousand (31 December 2021: KZT 28,752,071 thousand).

(h) Acquisition of a car loan portfolio

In March 2022, the Group acquired from Subsidiary VTB Bank JSC (Kazakhstan) the rights of claim under loan contracts for the preferential car loans product, which were signed previously to buy domestically manufactured cars as part of the state programmes intended to support the processing industries in Kazakhstan. The market value of the acquired rights of claim amounted to KZT 11,032,496 thousand. At the same time, the Group assumed liabilities under loan contracts concluded between VTB and Development Bank of Kazakhstan JSC (Note 23).

16 Investments at amortised cost

	31 December 2022 KZT'000	31 December 2021 KZT'000
Held by the Group		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	126,361,185	51,344,422
The NBRK discount notes	-	54,779,698
The US Treasury bills	74,223,193	-
Bonds of Eurasian Development Bank JSC	-	12,825,999
Bonds of Development Bank of Kazakhstan JSC	-	14,287,973
Corporate bonds rated from BBB- to BBB+	-	37,128,796
Corporate bonds not rated	25,734,558	-
	226,318,936	**170,366,888**
Pledged against other borrowed funds		
Bonds of Development Bank of Kazakhstan JSC (Note 16)	4,763,500	-
Corporate bonds rated from BBB- to BBB+ (Note 16)	4,627,915	-
	9,391,415	**-**
	235,710,351	**170,366,888**
Allowance for expected credit losses	(10,798,140)	(75,947)
Investments at amortised cost	**224,912,211**	**170,290,941**

The credit ratings are presented by reference to the credit ratings of Fitch rating agency or analogues of similar international rating agencies.

As at 31 December 2022, financial assets measured at amortised cost, included in "not rated" category, with the gross carrying amount of KZT 25,734,558 thousand comprise bonds of Russian issuers, and their net carrying amount is KZT 14,950,773 thousand. The current credit risk related to Russian issuers as assessed by the Group to estimate allowance for expected credit losses at 31 December 2022 is "CCC", other than the credit ratings of those issuers whose bonds were defaulted and the carrying amount of these bonds at 31 December 2022 is KZT 1,617,142 thousand (prior to the credit ratings have been withdrawn, the credit ratings of the issuers of bonds with the carrying amount of KZT 12,410,617 thousand ranged from "BBB-" to "BBB", and the credit rating of the issuers of bonds with the carrying amount of KZT 2,540,156 thousand was "BB") (31 December 2021: none).

As at 31 December 2022, investments measured at amortised cost, with a net carrying amount of KZT 209,975,791 thousand are categorised into Stage 1 of the credit risk grading; investments measured at amortised cost, with a net carrying amount of KZT 13,319,278 thousand are categorised into Stage 2 of the credit risk grading, and investments measured at amortised cost, with a net carrying amount of KZT 1,617,142 thousand are categorised into Stage 3 of the credit risk grading (31 December 2021: all investments measured at amortised cost are categorised into Stage 1 of the credit risk grading).

PDs for securities for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 0.21-5.00%, and for securities that are not credit impaired and for which loss allowance is measured in full, that is at an amount equal to lifetime ECL, were 7.42-19.90%. LGDs for securities, depending on the industry of issuers, ranged from 56% to 74.70%. External benchmark information used to estimate PDs and LGDs is obtained from the studies published by the international rating agency Moody's.

The following tables show reconciliations from the opening to the closing balances of the allowance for expected credit losses by investments measured at amortised cost:

	For the year ended 31 December 2022			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	**75,947**	-	-	**75,947**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(36,924)	36,924	-	-
Transfer to Stage 3	(5,936)	-	5,936	-
Net remeasurement of loss allowance	(20,381)	5,067,050	5,712,206	10,758,875
Effect of movements in exchange rates	1,647	45,609	(83,938)	(36,682)
Balance at 31 December 2022	**14,353**	**5,149,583**	**5,634,204**	**10,798,140**

	For the year ended 31 December 2021			
KZT'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	**27,672**	-	-	**27,672**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	47,069	-	-	47,069
Effect of movements in exchange rates	1,206	-	-	1,206
Balance at 31 December 2021	**75,947**	-	-	**75,947**

17 Property and equipment, intangible assets, and right-of-use assets

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2022	11,725,907	16,087,262	609,801	893,587	2,128	787,794	1,075,716	19,159,547	50,341,742
Additions	-	1,353,056	330,364	218,034	-	-	-	1,500,425	3,401,879
Disposals	(4,650)	(993,876)	(31,796)	(53,979)	(30)	(2,326)	-	(23,217)	(1,109,874)
Balance at 31 December 2022	**11,721,257**	**16,446,442**	**908,369**	**1,057,642**	**2,098**	**785,468**	**1,075,716**	**20,636,755**	**52,633,747**
Depreciation and amortisation									
Balance at 1 January 2022	(2,568,885)	(11,968,964)	(509,421)	(670,443)	-	(786,862)	(1,075,716)	(12,447,293)	(30,027,584)
Depreciation and amortisation for the year	(148,671)	(1,242,621)	(35,555)	(70,733)	-	(589)	-	(1,418,040)	(2,916,209)
Disposals	4,651	984,747	31,796	42,447	-	2,325	-	23,084	1,089,050
Balance at 31 December 2022	**(2,712,905)**	**(12,226,838)**	**(513,180)**	**(698,729)**	**-**	**(785,126)**	**(1,075,716)**	**(13,842,249)**	**(31,854,743)**
Carrying amounts									
At 31 December 2022	**9,008,352**	**4,219,604**	**395,189**	**358,913**	**2,098**	**342**	**-**	**6,794,506**	**20,779,004**

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademarks	Software and other intangible assets	Total
Cost									
Balance at 1 January 2021	11,830,093	16,394,300	554,658	856,961	2,098	787,305	1,075,716	18,347,513	49,848,644
Additions	-	1,736,007	100,885	60,360	30	489	-	1,216,259	3,114,030
Disposals	(104,186)	(2,043,045)	(45,742)	(23,734)	-	-	-	(404,225)	(2,620,932)
Balance at 31 December 2021	**11,725,907**	**16,087,262**	**609,801**	**893,587**	**2,128**	**787,794**	**1,075,716**	**19,159,547**	**50,341,742**
Depreciation and amortisation									
Balance at 1 January 2021	(2,426,780)	(12,881,455)	(537,106)	(623,278)	-	(784,934)	(937,984)	(11,551,463)	(29,743,000)
Depreciation and amortisation for the year	(149,022)	(1,116,764)	(18,057)	(70,042)	-	(1,928)	(137,732)	(1,300,010)	(2,793,555)
Disposals	6,917	2,029,255	45,742	22,877	-	-	-	404,180	2,508,971
Balance at 31 December 2021	**(2,568,885)**	**(11,968,964)**	**(509,421)**	**(670,443)**	**-**	**(786,862)**	**(1,075,716)**	**(12,447,293)**	**(30,027,584)**
Carrying amounts									
At 31 December 2021	**9,157,022**	**4,118,298**	**100,380**	**223,144**	**2,128**	**932**	**-**	**6,712,254**	**20,314,158**

Capitalised costs related to the acquisition or construction of items of property and equipment during 2022 and 2021 were nil.

	2022 KZT'000	2021 KZT'000
Right-of-use assets		
Cost		
Balance at 1 January	**4,747,004**	**4,206,698**
Additions	1,815,801	1,033,794
Disposals	(1,715,528)	(493,488)
Balance at 31 December	**4,847,277**	**4,747,004**
Depreciation		
Balance at 1 January	**(2,589,999)**	**(1,763,262)**
Depreciation charge for the year	(1,304,167)	(1,320,225)
Disposals	1,715,528	493,488
Balance at 31 December	**(2,178,638)**	**(2,589,999)**
Carrying amounts		
At 31 December	**2,668,639**	**2,157,005**

18 Other assets

	31 December 2022 KZT'000	31 December 2021 KZT'000
Debtors under lending commitments	4,262,461	3,339,537
Finance lease receivables	3,035,716	3,210,524
Settlement of securities transactions	1,419,483	-
Fee and commission income accrued	1,324,527	765,772
Debtors under guarantees and letters of credit	1,195,370	1,115,462
Payment card settlements	740,369	12,845,184
Asset from continuing involvement in transferred assets (Note 15(f))	17,709	18,048
Coverage provided under the financial guarantee contract	-	7,164,330
Other	3,086,056	963,202
Allowance for expected credit losses	(4,829,129)	(3,939,747)
Total other financial assets	**10,252,562**	**25,482,312**
Collateral carried on balance sheet	2,010,106	4,003,959
Non-current assets held for sale	1,467,730	1,868,378
Prepayments	1,437,874	1,160,742
Advances for capital expenditures	994,571	526,459
Taxes prepaid other than income tax	666,088	865,118
Raw materials and supplies	402,912	292,851
Precious metals	116,421	93,688
Total other non-financial assets	**7,095,702**	**8,811,195**
Total other assets	**17,348,264**	**34,293,507**

An asset from continuing involvement in transferred assets of KZT 17,709 thousand (31 December 2021: KZT 18,048 thousand) originated as a result of the sale of loans to a mortgage company in June 2014 and December 2013 (Note 15).

Analysis of movements in allowance for expected credit losses

Movements in allowance for expected credit losses for the years ended 31 December are as follows:

	2022 KZT'000	2021 KZT'000
Balance at the beginning of the year	3,939,747	3,856,793
Net charge/(recovery) of ECL allowance	1,058,157	(2,580,787)
Write-off of bad debts	(804,196)	(169,536)
Recovery of assets previously written-off	640,537	2,830,915
Effect of movements in exchange rates	(5,116)	2,362
Balance at the end of the year	**4,829,129**	**3,939,747**

As at 31 December 2022, included in other assets are overdue receivables of KZT 1,186,326 thousand (31 December 2021: KZT 1,168,858 thousand) of which the receivables of KZT 17,939 thousand are overdue for more than 90 days but less than one year (31 December 2021: KZT 10,093 thousand and KZT 1,153,678 thousand are overdue for more than one year (31 December 2021: KZT 1,151,739 thousand).

19 Deposits and balances from banks

	31 December 2022 KZT'000	31 December 2021 KZT'000
Term deposits	693,975	-
Vostro accounts	21,357,506	566,311
	22,051,481	**566,311**

20 Current accounts and deposits from customers

	31 December 2022 KZT'000	31 December 2021 KZT'000
Current accounts and demand deposits		
- Retail	269,356,363	94,532,593
- Corporate	540,423,643	139,019,643
Term deposits		
- Retail	605,084,126	397,590,199
- Corporate	516,114,613	505,238,164
	1,930,978,745	**1,136,380,599**

As at 31 December 2022, current accounts and deposits from the Group's customers for a total of KZT 25,769,103 thousand (31 December 2021: KZT 15,780,259 thousand) serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2022, the Group has 18 customer (31 December 2021: 13 customers) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 719,131,105 thousand (31 December 2021: KZT 417,078,636 thousand).

As at 31 December 2022, current accounts and demand deposits from retail customers of KZT 16,582,178 thousand (31 December 2021: KZT 10,860,628 thousand) are prepayments for loans. Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the next payment falls due.

21 Debt securities issued

	31 December 2022 KZT'000	31 December 2021 KZT'000
Nominal value	16,058,713	16,058,713
Discount	(66,485)	(161,438)
Accrued interest	674,916	564,882
	16,667,144	**16,462,157**

A summary of bond issues as at 31 December 2022 and 2021 is as follows:

					Carrying amount	
	The first issue registration date	**Maturity date**	**Coupon rate**	**Effective interest rate**	**31 December 2022 KZT'000**	**31 December 2021 KZT'000**
Bonds of the fifth issue	24-Oct-08	01-Sep-23	Inflation rate +1%*	14.48%	8,389,345	8,180,566
Bonds of the eighteenth issue	15-Aug- 19	15-Aug-26	10.95%	10.91%	8,277,799	8,281,591
					16,667,144	**16,462,157**

**The maximum coupon rate provided for by the prospectus is 13% per annum.*

In 2022, the Group placed no bonds. In December 2021, the Group placed the unsecured coupon bonds with a total nominal value of KZT 5,939,823 thousand, maturing in August 2026 and bearing a fixed interest rate of 10.95% p.a., as part of a state programme aimed at financing the priority sectors of the economy. Proceeds from placement of the bonds are used exclusively for granting loans to private business entities operating in the processing industry and service sector, in accordance with the terms approved by the Decree of the Government of the Republic of Kazakhstan No.820 dated 11 December 2018 "On Certain Issues of Long-Term Tenge Liquidity to Address Affordable Lending".

22 Subordinated debt securities issued

	31 December 2022 KZT'000	31 December 2021 KZT'000
Nominal value	167,469,550	167,469,550
Discount	(94,495,634)	(98,759,623)
Accrued interest	1,711,598	1,599,289
	74,685,514	**70,309,216**

As at 31 December 2022 and 31 December 2021, subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the subordinated debt securities is repaid once all other liabilities of the Group are repaid in full.

A summary of subordinated debt securities issues at 31 December 2022 and 2021 is as follows:

					Carrying amount	
	The first issue registration date	Maturity date	Coupon rate	Effective interest rate	31 December 2022 KZT'000	31 December 2021 KZT'000
Bonds of the seventeenth issue	18-Oct-17	18-Oct-32	4.00%	18.00%	57,430,033	53,920,089
Bonds of the eighth issue	21-Aug-09	15-Oct-23	Inflation +1%*	14.00%	14,766,031	13,994,320
Bonds of the thirteenth issue	25-Aug-16	10-Jan-24	9.00%	13.81%	2,489,450	2,394,807
					74,685,514	**70,309,216**

**The maximum coupon rate provided for by the prospectus is 13% per annum.*

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged.

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

By the Resolution of the NBRK No.183 dated 27 September 2017, the Bank was approved to participate in the Programme of Strengthening Financial Stability of the Banking Sector in the Republic of Kazakhstan (the "Programme").

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

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

– the Bank undertakes to comply with capital adequacy ratios set by the authorised body for the second-tier banks of the Republic of Kazakhstan;

– the Bank undertakes not to commit action intended to withdraw the Bank's assets; at that, summary of activities to be considered the withdrawal of assets is set out in the Bond Issue Prospectus.

As part of its participation in the Programme, on 18 October 2017, the Bank placed Bonds at Kazakhstan Stock Exchange JSC for a total of KZT 150,000,000 thousand; Bonds bear a coupon rate of 4.00 % p.a. and mature in 15 years. The result of discounting Bonds using a market interest rate of 18.00%, which was recognised within income in the consolidated statement of profits and loss and other comprehensive income on initial recognition of Bonds, amounted to KZT 106,961,607 thousand.

23 Other borrowed funds

	31 December 2022 KZT'000	31 December 2021 KZT'000
Borrowings from governed financial institutions	69,855,654	25,636,285
Loans from the Ministry of Finance of the Republic of Kazakhstan	202,724	393,287
	70,058,378	**26,029,572**

As at 31 December 2022 and 2021, terms and repayment schedule of outstanding borrowings are as follows:

				Carrying amount	
	Currency	**Average interest rate**	**Year of maturity**	**31 December 2022 KZT'000**	**31 December 2021 KZT'000**
Industrial Development Fund JSC	KZT	1.00%	2052	35,182,329	-
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2029-2037	23,981,641	12,738,216
Damu Entrepreneurship Development Fund JSC	KZT	1.00-8.50%	2024-2035	10,691,684	12,898,069
The Ministry of Finance of the Republic of Kazakhstan	KZT	The NBRK's refinancing rate	2023	102,118	202,927
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2023	100,606	190,360
				70,058,378	**26,029,572**

During 2022, the Group received a loan of KZT 35,000,000 thousand from Industrial Development Fund JSC (the "IDF JSC"), which bears an interest rate of 1% p.a. and matures on 30 April 2052. Borrowings were provided to the Group for the latter to lend money to individual end-users, the buyers of domestically manufactured cars, at an annual interest rate of 4% p.a. and with a maturity of up to 7 years. The Group provided collateral on this loan in the form of corporate bonds with credit ratings from BBB- to BBB+, for a total of KZT 2,962,747 thousand and with credit ratings from BB- to BB+ for a total of KZT 3,146,018 thousand, recognised in "financial assets at fair value through other comprehensive income" (Note 13) and bonds for a total of KZT 9,391,415 thousand, recognised in "investments at amortised cost" (Note 16).

During 2022, the Group assumed liabilities of Subsidiary VTB Bank JSC (Kazakhstan) to Development Bank of Kazakhstan JSC for a total of KZT 11,500,000 thousand, at an interest rate of 1% p.a. and with maturities in 2029-2037, in exchange of a car loan portfolio for an equivalent amount, as part of the state programme for granting car loans on preferential terms (Note 15). As at 31 December 2022, the carrying amount of the liabilities to DBK JSC assumed, amounted to KZT 11,520,361 thousand. The Group also provided collateral on these liabilities in the form of corporate bonds with credit ratings from BBB- to BBB+, recognised in "financial assets at fair value through other comprehensive income" for a total of KZT 4,876,947 thousand (Note 13).

Other borrowings were received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") and Development Bank of Kazakhstan JSC ("DBK JSC") under the Government programme to provide financing to large corporates, and small- and medium-size enterprises (SMB) operating in certain industries. Under the loan agreements with EDF DAMU JSC and DBK JSC, the Group is responsible to extend loans to large corporates and SME borrowers, eligible to participate in the above Programme, at an interest rate of 6.00% p.a. and with maturities of up to 10 years.

Management of the Group believes that due to their specific nature, loans from IDF JSC, EDF DAMU JSC and DBK JSC represent a separate segment of lending market, whereby financing is provided by the state companies to support entities operating in certain industries. As a result, loans from IDF JSC, EDF DAMU JSC and DBK JSC were received in the "arm's length" transactions and, as such, the amount received under loan contracts represents the fair value of the loans on initial recognition.

The Group is obliged to comply with covenants of the loan contracts stated above. The Group has complied with all covenants as at 31 December 2022 and 2021.

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

	Liabilities				
KZT'000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2022	**26,029,572**	**70,309,216**	**16,462,157**	**2,562,741**	**115,363,686**
Changes from financing cash flows					
Proceeds from other borrowings from IDF JSC	35,000,000	-	-	-	35,000,000
Repayment of other borrowed funds	(2,611,181)	-	-	-	(2,611,181)
Payments under lease contracts	-	-	-	(1,242,881)	(1,242,881)
Total changes from financing cash flows	**32,388,819**	**-**	**-**	**(1,242,881)**	**31,145,938**
The effect of changes in foreign exchange rates	9,258	-	-		9,258
Other changes					
Interest expense	841,186	12,008,456	1,796,978	314,631	14,961,251
Interest paid	(710,457)	(7,632,158)	(1,591,991)	(274,885)	(10,209,491)
Recognition of lease liabilities	-	-	-	1,815,801	1,815,801
Other non-cash changes					
Liabilities to DBK JSC assumed as a result of the assignment of rights of claim on loans issued (Note 15)	11,500,000	-	-	-	11,500,000
Balance at 31 December 2022	**70,058,378**	**74,685,514**	**16,667,144**	**3,175,407**	**164,586,443**

In 2022, total cash outflow on lease contracts, including operating leases, amounted to KZT 1,672,707 thousand (in 2021: KZT 1,543,516 thousand).

	Liabilities				
KZT'000	**Other borrowed funds**	**Subordinated debt securities issued**	**Debt securities issued**	**Lease liabilities**	**Total**
Balance at 1 January 2021	**27,335,218**	**66,629,479**	**10,147,295**	**2,782,926**	**106,894,918**
Changes from financing cash flows					
Repayment of other borrowed funds	(1,287,009)	-	-	-	(1,287,009)
Proceeds from debt securities issued	-	-	6,160,840	-	6,160,840
Payments under lease contracts	-	-	-	(1,260,347)	(1,260,347)
Total changes from financing cash flows	**(1,287,009)**	**-**	**6,160,840**	**(1,260,347)**	**3,613,484**
The effect of changes in foreign exchange rates	6,630	-	-	-	6,630
Other changes					
Interest expense	731,118	11,117,226	1,022,533	258,852	13,129,729
Interest paid	(756,385)	(7,437,489)	(868,511)	(252,484)	(9,314,869)
Recognition of lease liabilities	-	-	-	1,033,794	1,033,794
Balance at 31 December 2021	**26,029,572**	**70,309,216**	**16,462,157**	**2,562,741**	**115,363,686**

24 Other liabilities

	31 December 2022 KZT'000	31 December 2021 KZT'000
Liability from continuing involvement (Note 16 (f))	3,205,524	3,636,006
Payables to borrowers under loan transactions	1,725,862	805,301
Payment card settlements	1,769,420	13,782,381
Accrued administrative expenses	570,691	750,400
Liabilities on electronic money issued	518,760	797,152
Amount due to insurance company	373,155	360,790
Capital expenditure payable	3,850	-
Due to depositors of AsiaCredit Bank JSC	30	116,161
Due to depositors of Bank of Astana JSC	-	383,234
Payables related to rights of claim assigned	-	280,012
Due to depositors of Tengri Bank JSC	-	255,715
Due to depositors of Capital Bank JSC	-	155,025
Borrowers' subsidies payable	-	33,526
Other payables related to banking operations	3,391,282	2,144,691
Settlement of payments and money transfers on behalf of customers	2,435,516	3,099
Other financial liabilities	1,611,735	458,546
Total other financial liabilities	**15,605,825**	**23,962,039**
Payables to employees	4,576,184	3,322,737
Vacation reserve	1,694,289	1,036,313
Deferred income	700,959	585,407
Other taxes payable	378,019	397,379
Loss allowance for contingent liabilities	199,371	171,877
Other non-financial liabilities	341,122	479,223
Total other non-financial liabilities	**7,889,944**	**5,992,936**
Total other liabilities	**23,495,769**	**29,954,975**

25 Share capital

(a) Issued capital and share premium

The authorised share capital of the Bank comprises 2,096,038,900 ordinary shares (31 December 2021: 2,096,038,900 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (31 December 2021: 3,000,000 preference shares).

During 2022, no shares were issued (in 2021: no shares were issued).

Issued and outstanding share capital as at 31 December comprised fully paid ordinary shares as follows:

	31 December 2022 Number of shares	31 December 2021 Number of shares
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	7,030,137	7,030,137
Total issued and outstanding shares	**20,960,389**	**20,960,389**

As at 31 December 2022 and 31 December 2021, share capital of the Bank amounted to KZT 61,135,197 thousand.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the year ended 31 December 2022, no dividends were declared or paid (in 2021: no dividends were declared or paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Group should present book value per ordinary share in its consolidated financial statements.

The book value per share is calculated by dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2022, the book value per share was KZT 9,090.30 (31 December 2021: KZT 5,372.84)

(d) Nature and purpose of reserves

Reserve for general banking risks

Until 2013, in accordance with amendments to the Resolution No.196 "On establishment of minimum limit on reserve capital of second-tier banks" issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "ASFM") introduced on 31 January 2011 (that became invalid in 2013), the Bank had to establish reserve capital by transferring certain amount from retained earnings to a non-distributable reserve.

From 2013, the Bank's management have been determining the amount of the reserves on its own. During the annual periods ended 31 December 2022 and 31 December 2021, no transfers to/from general reserves were made by the Bank to cover general banking risks.

26 Earnings per share

The calculation of earnings per share is based on the net consolidated profit and a weighted average number of ordinary shares outstanding during the period. The Group has no potential diluted ordinary shares.

	2022	**2021**
Net profit (KZT'000)	83,320,172	13,048,451
A weighted average number of ordinary shares	20,960,389	20,960,389
Basic earnings per share (KZT)	**3,975.13**	**622.53**

27 Segment analysis

The Group has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board, reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- corporate banking- includes loans, deposits and other transactions with corporate customers;
- retail banking – includes loans, deposits and other transactions with retail customers;
- assets and liabilities management – includes maintaining liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments in various financial instruments and bonds issue management;
- small- and medium-size companies banking– includes loans, deposits and other transactions with small- and medium-size companies;
- treasury – includes financing to the Group via interbank borrowings and using derivatives for hedging market risks and investments in liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS		
Assets and liabilities management	1,256,229,137	674,733,725
Retail banking	706,753,394	432,140,024
Corporate banking	313,865,914	207,523,914
Treasury	372,251	52,244,181
Small- and medium-sized companies banking	47,400,397	22,806,954
Unallocated assets	31,104,736	28,750,898
Total assets	**2,355,725,829**	**1,418,199,696**
LIABILITIES		
Retail banking	911,028,557	481,366,529
Corporate banking	603,104,714	545,876,759
Small- and medium-sized companies banking	467,253,925	129,687,278
Assets and liabilities management	99,890,736	79,056,092
Treasury	14,091,807	2,349,226
Unallocated liabilities	64,611,466	62,045,857
Total liabilities	**2,159,981,205**	**1,300,381,741**

Reconciliation of reportable segment total assets and total liabilities is presented below:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Total assets of reportable segments	2,355,725,829	1,418,199,696
The effect of consolidation	1,345,943	1,358,299
Gross presentation of foreign currency swaps	(372,251)	(6,044,050)
Other adjustments	(518,871)	(169,874)
Total assets	**2,356,180,650**	**1,413,344,071**

	31 December 2022 KZT'000	31 December 2021 KZT'000
Total liabilities of reportable segments	2,159,981,205	1,300,381,741
The effect of consolidation	(240,900)	(141,284)
Gross presentation of foreign currency swaps	(372,251)	(6,044,050)
Other adjustments	(518,080)	(181,432)
Total liabilities	**2,158,849,974**	**1,294,014,975**

Segment information for the main reportable segments for the year ended 31 December 2022 is set out below:

KZT'000	**Corporate banking**	**Small- and medium-sized companies banking**	**Retail banking**	**Treasury**	**Assets and liabilities management**	**Unallocated assets and liabilities***	**Total**
Interest income	32,886,620	4,562,871	135,599,695	658,480	26,567,401	-	200,275,067
Fee and commission income	2,292,703	3,403,109	41,569,779	275,688	-	-	47,541,279
Net gain on securities, dealing and translation differences	6,042,161	7,687,480	11,193,686	33,440,013	(3,579,611)	-	54,783,729
Other income/(expenses)	-	-	3,286	44,626	-	(654,984)	(607,072)
Funds transfer pricing	28,330,194	22,850,584	48,501,870	150,044	32,156,596	-	131,989,288
Revenue	**69,551,678**	**38,504,044**	**236,868,316**	**34,568,851**	**55,144,386**	**(654,984)**	**433,982,291**
Interest expense	(18,190,046)	(10,957,603)	(40,556,962)	-	(14,585,062)	-	(84,289,673)
Fee and commission expense	(618,598)	(6,836)	(20,342,863)	(597,996)	(307,793)	(84,775)	(21,958,861)
Impairment loss	25,167	777,535	(25,126,054)	-	(14,703,598)	(87,902)	(39,114,852)
Funds transfer pricing	(27,801,986)	(3,306,266)	(73,597,738)	(715,897)	(26,567,401)	-	(131,989,288)
Operating costs (direct)	(1,544,076)	(1,141,321)	(12,262,407)	(3,194,825)	(46,871)	(13,884,246)	(32,073,746)
Operating costs (indirect)	(1,296,670)	(1,873,491)	(10,653,479)	(496,907)	(7,700)	(3,458,426)	(17,786,673)
Corporate income tax	(3,862,846)	(4,221,885)	(10,427,774)	(5,674,312)	-	-	(24,186,817)
Segment result	**16,262,623**	**17,774,177**	**43,901,039**	**23,888,914**	**(1,074,039)**	**(18,170,333)**	**82,582,381**
Other segment items							
Additions of property and equipment	-	-	-	-	-	3,401,849	**3,401,849**
Depreciation and amortisation	(17,748)	(11,872)	(397,335)	(2,220)	(509)	(3,790,692)	**(4,220,376)**

Segment information for the main reportable segments for the year ended 31 December 2021 is set out below:

KZT'000	Corporate banking	Small- and medium-sized companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities*	Total
Interest income	23,310,885	2,155,580	84,189,546	4,175,334	16,720,146	-	130,551,491
Fee and commission income	1,057,700	2,378,547	25,646,369	67,142	-	-	29,149,758
Net gain on securities, dealing and translation differences	2,454,343	885,389	679,638	5,460,754	376,318	-	9,856,442
Other (expenses)/income	(103,841)	-	19,224	6,781	-	(225,633)	(303,469)
Funds transfer pricing	19,364,548	8,766,476	36,539,079	13,403	22,918,083	-	87,601,589
Revenue	**46,083,635**	**14,185,992**	**147,073,856**	**9,723,414**	**40,014,547**	**(225,633)**	**256,855,811**
Interest expense	(12,969,634)	(4,502,593)	(33,684,818)	-	(12,355,907)	-	(63,512,952)
Fee and commission expense	(323,571)	(22,204)	(13,079,550)	(213,712)	(95,931)	(48,215)	(13,783,183)
Impairment loss	(27,902,563)	(153,261)	(6,605,333)	-	(72,624)	(217,575)	(34,951,356)
Funds transfer pricing	(16,474,967)	(1,069,629)	(50,242,754)	(3,150,608)	(16,663,630)	-	(87,601,588)
Operating costs (direct)	(2,290,748)	(1,033,213)	(10,473,812)	(503,234)	(37,503)	(11,933,377)	(26,271,887)
Operating costs (indirect)	(1,025,586)	(1,383,388)	(7,103,487)	(305,597)	(4,133)	(2,540,283)	(12,362,474)
Corporate income tax	-	(705,265)	(3,031,561)	(650,050)	(1,263,124)	-	(5,650,000)
Segment result	**(14,903,434)**	**5,316,439**	**22,852,541**	**4,900,213**	**9,521,695**	**(14,965,083)**	**12,722,371**
Other segment items							
Additions of property and equipment	-	-	-	-	-	3,114,030	**3,114,030**
Depreciation and amortisation	(9,636)	(11,118)	(514,318)	(1,360)	(285)	(3,577,063)	**(4,113,780)**

**"Unallocated assets and liabilities" comprise expenses of business units, whose activities relate to performing administration and control functions and regulatory and statutory requirements.*

Reconciliation of reportable segment revenues and profit or loss is as follows:

	2022 KZT'000	2021 KZT'000
Reportable segments revenue	433,982,291	256,855,811
The effect of consolidation	146,735	(101,835)
Funds transfer pricing	(131,989,288)	(87,601,588)
Other adjustments	(11,946,415)	(12,905,716)
Total revenue	**290,193,323**	**156,246,672**

	2022 KZT'000	2021 KZT'000
Reportable segments profit	82,582,381	12,722,371
Other adjustments	650,531	(1,689,955)
The effect of consolidation	87,260	2,016,035
Total profit	**83,320,172**	**13,048,451**

The effect of consolidation arises as a result of that the Chairman reviews internal management reports on unconsolidated basis.

Other adjustments: these adjustments mostly represent netting of other assets and other liabilities, income and expenses. Other adjustments occur due to the fact that the Chairman of the Management Board reviews internal management reports prepared on a gross-up basis whereas for IFRS consolidated financial statements' purposes netting is made for specific other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing: for the purpose of internal management reporting, transfer pricing represents the allocation of income and expense between segments that raise cash resources and segments that create assets that generate interest income, using cash resources.

Information about major customers and geographical areas

During the year ended 31 December 2022, the Group has no large corporate customers, revenues from which individually exceed 10% of total revenue (31 December 2021: none).

A major part of revenues from external customers relates to transactions with residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

28 Risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the Group's business of banking and is an essential element of the bank operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The Group established a three-level protection framework:

- primary analysis by initiating departments;
- analysis by controlling departments (risk management, legal, and compliance departments and others);
- reviews and independent assessment of the efficacy of the risk management system operated by the Group.

The Group performs, on a daily basis, the procedure to identify and assess key risks, based on the results of which the Board of Directors establishes levels of risk appetite the Group is ready to accept.

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures. The Risk and Internal Controls Committee preliminary reviews these matters and seeks consideration and/or approval thereof by the Board of Directors.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. Risk management executives are responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Risk management executives report directly to the Chairman and indirectly, through the Risk and Internal Controls Committee, to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, Market Risk and Liquidity Management Committee (MRLMC). To improve decision-making process, the bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the bank. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Business Units monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgements in their respective areas of expertise.

(b) Market risk

Market risk is a probability that financial losses arise on balance sheet and off-balance sheet items because of unfavourable changes in market situation, which comprise movements in interest rates, foreign exchange rates, market value of financial instruments and goods. Market risk includes currency risk, interest risk and price risk.

The Group manages its market risk (currency risk, interest risk and price risk) at the portfolio level. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market and liquidity risk is vested in MRLMC. MRLMC performs review of the market risk limits based on recommendations of the Risk Management Block and submits it to the Management Board and Board of Directors for approval.

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

In addition, the Group uses a wide range of stress tests to model the potential financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of the interest rate risk by monitoring the interest rate gap is supplemented by monitoring the sensitivity of the Group’s net interest margin to various standard and non-standard interest rate scenarios.

The Group also utilises Value-at-Risk (“VaR”) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring and forecasting interest rate gaps, reduction in time gaps of interest-bearing assets and liabilities.

A summary of the interest gap position as at 31 December 2022 and 2021 for major interest- bearing financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2022							
ASSETS							
Cash and cash equivalents	463,851,297	-	-	-	-	443,042,094	906,893,391
Financial instruments at fair value through profit or loss	-	-	-	-	-	500,923	500,923
Financial assets at fair value through other comprehensive income	3,368,986	2,480,046	17,875,186	87,606,803	490,805	-	111,821,826
Deposits and balances with banks	7,728,077	-	-	-	-	4,262,995	11,991,072
Loans to customers	174,536,720	62,082,817	214,228,843	536,844,555	71,564,150	-	1,059,257,085
Investments at amortised cost	29,637,101	24,905,389	13,671,059	156,698,662	-	-	224,912,211
	679,122,181	**89,468,252**	**245,775,088**	**781,150,020**	**72,054,955**	**447,806,012**	**2,315,376,508**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	89,853	89,853
Deposits and balances from banks	-	-	-	-	-	22,051,481	22,051,481
Current accounts and deposits from customers	394,798,932	247,036,016	574,963,463	125,456,079	29,489,002	559,235,253	1,930,978,745
Debt securities issued	326,030	-	8,389,344	7,951,770	-	-	16,667,144
Subordinated debt securities issued	106,038	-	15,966,031	2,383,412	56,230,033	-	74,685,514
Other borrowed funds	529,052	437,864	410,093	3,715,569	64,965,800	-	70,058,378
Lease liabilities	35,046	13,747	224,457	2,876,626	25,531	-	3,175,407
	395,795,098	**247,487,627**	**599,953,388**	**142,383,456**	**150,710,366**	**581,376,587**	**2,117,706,522**
	283,327,083	**(158,019,375)**	**(354,178,300)**	**638,766,564**	**(78,655,411)**	**(133,570,575)**	**197,669,986**

KZT'000	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2021							
ASSETS							
Cash and cash equivalents	240,765,774	-	-	-	-	178,873,450	419,639,224
Financial instruments at fair value through profit or loss	-	-	-	-	-	18,900	18,900
Financial assets at fair value through other comprehensive income	15,539,215	2,088,023	8,403,720	75,982,944	21,986,114	-	124,000,016
Deposits and balances with banks	4,203,389	649,493	-	-	-	2,081,871	6,934,753
Loans to customers	120,313,235	41,259,409	133,179,372	311,350,487	29,235,820	-	635,338,323
Investments at amortised cost	37,794,301	34,089,656	39,573,121	58,833,863	-	-	170,290,941
	418,615,914	**78,086,581**	**181,156,213**	**446,167,294**	**51,221,934**	**180,974,221**	**1,356,222,157**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	1,871	1,871
Deposits and balances from banks	-	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	302,007,127	220,502,306	306,154,034	132,809,743	23,704,172	151,203,217	1,136,380,599
Debt securities issued	326,029	-	8,180,566	7,955,562	-	-	16,462,157
Subordinated debt securities issued	106,038	-	15,194,319	2,288,770	52,720,089	-	70,309,216
Other borrowed funds	1,444,687	416,484	660,093	4,087,899	19,420,409	-	26,029,572
Lease liabilities	14,963	33,061	207,671	2,307,046	-	-	2,562,741
	303,898,844	**220,951,851**	**330,396,683**	**149,449,020**	**95,844,670**	**151,771,399**	**1,252,312,467**
	114,717,070	**(142,865,270)**	**(149,240,470)**	**296,718,274**	**(44,622,736)**	**29,202,822**	**103,909,690**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2022 and 2021. This interest rate are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2022 Average effective interest rate, %			**31 December 2021 Average effective interest rate, %**		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest-bearing assets						
Cash and cash equivalents	-	3.46	-	8.83	0.24	1.87
Financial assets at fair value through other comprehensive income	9.93	2.45	1.6	9.76	2.19	1.57
Deposits and balances with banks	-	3.6	-	-	0.34	9.25
Loans to customers	25.53	5.95	13.98	20.53	6.04	11.53
Investments at amortised cost	12.51	3.51	-	9.87	1.76	-
Interest-bearing liabilities						
Current accounts and deposits from customers						
- Corporate	9.56	0.50	0.37	6.28	0.48	1.28
- Retail	11.53	1.14	0.21	8.47	2.22	0.71
Debt securities issued	12.77	-	-	10.47	-	-
Subordinated debt securities issued	17.15	-	-	16.42	-	-
Other borrowed funds						
- Loans from government financial institutions	1.39	-	-	2.64	-	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	16.00	1.96	-	9.75	1.96	-

Interest rate sensitivity analysis

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

	2022		**2021**	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel fall	(484,836)	(484,836)	209,788	209,788
100 bp parallel rise	484,836	484,836	(209,788)	(209,788)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of debt securities at FVOCI due to changes in the interest rates, based on positions existing as at 31 December 2022 and 31 December at 2021) and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2022		2021	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel fall	-	2,314,111	-	4,858,624
100 bp parallel rise	-	(2,377,554)	-	(4,858,624)

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the probability of financial loss to the Group because of changes in foreign currency exchange rates. The Group hedges its exposure to currency risk. The Group manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

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

KZT'000	**USD**	**RUB**	**EUR**	**Other currencies**	**Total**
ASSETS					
Cash and cash equivalents	655,377,568	26,963,785	117,839,330	59,438,598	859,619,281
Financial assets at fair value through other comprehensive income	45,697,369	-	1,531,073	-	47,228,442
Deposits and balances with banks	7,728,076	64,300	-	-	7,792,376
Loans to customers	59,708,911	19,033,928	5,223,428	-	83,966,267
Investments at amortised cost	170,778,262	-	-	-	170,778,262
Other financial assets	2,216,960	92,660	98,526	21,268	2,429,414
Total assets	**941,507,146**	**46,154,673**	**124,692,357**	**59,459,866**	**1,171,814,042**
LIABILITIES					
Deposits and balances from banks	19,465,861	1,309,208	662,983	728	21,438,780
Current accounts and deposits from customers	864,203,583	28,073,335	122,474,377	58,105,827	1,072,857,122
Other borrowed funds	100,606	-	-	-	100,606
Other financial liabilities	2,198,625	648,113	1,199,742	306,800	4,353,280
Total liabilities	**885,968,675**	**30,030,656**	**124,337,102**	**58,413,355**	**1,098,749,788**
Net position at 31 December 2022	**55,538,471**	**16,124,017**	**355,255**	**1,046,511**	**73,064,254**
The effect of derivative financial instruments held for risk management purposes**	(53,791,164)	(15,168,626)	(492,860)	33,365	(69,419,285)
Net position as at 31 December 2022 with the effect of derivatives held for risk management purposes	**1,747,307**	**955,391**	**(137,605)**	**1,079,876**	**3,644,969**

** including spot transactions.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

KZT'000	USD	RUB	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	288,731,804	8,775,928	14,815,321	2,764,471	315,087,524
Financial assets at fair value through other comprehensive income	36,871,014	-	2,062,371	-	38,933,385
Deposits and balances with banks	4,741,861	111,022	-	-	4,852,883
Loans to customers	40,176,768	4,357,407	3,487,635	-	48,021,810
Investments at amortised cost	94,469,110	-	-	-	94,469,110
Other financial assets	7,220,837	3,023	5,347	-	7,229,207
Total assets	**472,211,394**	**13,247,380**	**20,370,674**	**2,764,471**	**508,593,919**
LIABILITIES					
Deposits and balances from banks	486,597	-	669	823	488,089
Current accounts and deposits from customers	450,605,937	12,209,292	19,234,303	2,587,518	484,637,050
Other borrowed funds	190,360	-	-	-	190,360
Other financial liabilities	13,793,054	36,977	705,191	1,921	14,537,143
Total liabilities	**465,075,948**	**12,246,269**	**19,940,163**	**2,590,262**	**499,852,642**
Net position at 31 December 2021	**7,135,446**	**1,001,111**	**430,511**	**174,209**	**8,741,277**
The effect of derivative financial instruments held for risk management purposes**	(8,204,200)	-	(63,583)	-	(8,267,783)
Net position at 31 December 2021 with the effect of derivatives held for risk management purposes	**(1,068,754)**	**1,001,111**	**366,928**	**174,209**	**473,494**

** including spot transactions.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2022 and 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2022		**2021**	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	279,569	279,569	(171,001)	(171,001)
20% appreciation of RUR against KZT	152,863	152,863	160,178	160,178
20% appreciation of EUR against KZT	(22,017)	(22,017)	58,708	58,708
20% appreciation of other currencies against KZT	172,780	172,780	27,873	27,873

A strengthening of the KZT against the above currencies at 31 December 2022 and 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

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

(iv) Value at Risk estimates

The Group also utilises Value-at-Risk ("VaR") methodology to monitor market risk its currency positions.

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Group is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

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

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for an extended period;
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate;
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

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

A summary of the VaR estimates in respect of foreign currency risk of the Group at 31 December is as follows:

	31 December 2022 KZT'000	**31 December 2021 KZT'000**
Foreign exchange risk	66,904	46,931

(c) Credit risk management

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation according to the contract terms (contract). The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration. The Group has also established a system of authorised collegial bodies having a certain limit of authority, whose functions include decision-making related to credit risk and credit risk management.

In addition, the Bank has internal regulatory documents in place that govern all processes related to the acceptance of credit risk by the Bank, which are approved by the Management Board and/or the Board of Directors of the Bank in order to control the level of credit risk. The Group has also developed processes to monitor compliance of each employee/business unit with the IRD requirements.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Prior to making a credit risk decision, the bank's customer applications are examined by the bank services engaged in analysis of the borrower's financial performance (analysis reports are based on a structural analysis focusing on the customer's business and financial performance), the customer's legal standing (legal examination of the legal documents, legal validity of signatories, correctness of registration of corporate customer decisions and other aspects of legal risks is carried out as part of the credit risk), assessment of the customer's reliability and business reputation, as well as examination of the collateral value.

After reviewing all aspects related to the customer's application that were mentioned above, the Risk Management Block carries out an independent risk examination, which results in a report, including risks inherent in the borrower's business and proposed deal structure, as well as provides recommendations to minimise the risks of the bank. In addition, the Risk Management Block carries out examination of the Bank's customer application for its compliance with the requirements specified in the Bank's Credit Policy and the requirements of the legislation of the Republic of Kazakhstan.

The authorised collegial body takes decisions based on opinions provided by the Bank's business units.

In order to minimise credit risks throughout the entire period of customer financing, the Group carries out continuous monitoring of the loans status and completes reassessment of its borrowers' ability to make payments on a regular basis. The review is based on the customer's most recent financial statements and/or other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies, whose reports are reviewed by the Group's specialists or assessed by internal specialists, taking into account all legislative requirements related to valuation, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of the Bank's decision-making system (ILS), which includes scoring models and other credit application data verification procedures developed by the Risk Management Block together with other business units of the Bank.

Apart from individual customer analysis by the Bank's Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Block as a whole, including assessment of the credit portfolio concentration.

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

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS		
Cash and cash equivalents	836,822,545	387,140,995
Financial instruments measured at fair value through profit or loss	500,923	18,900
Financial assets measured at fair value through other comprehensive income	111,821,826	124,000,016
Deposits and balances with banks	11,991,072	6,934,753
Loans to customers	1,059,257,085	635,338,323
Investments measured at amortised cost	224,912,211	170,290,941
Other financial assets	10,252,562	25,482,312
Total maximum exposure	**2,255,558,224**	**1,349,206,240**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15.

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

As at 31 December 2022 the Group has one debtor (the NBRK) (31 December 2021: one debtor), where credit risk exposure exceeded 10% maximum credit risk exposure. The gross value of this balance as at 31 December 2022 is KZT 655,140,510 thousand (31 December 2021: KZT 357,472,125 thousand).

(d) Liquidity risk management

Liquidity risk is a probability of financial losses if the Bank is unable to meet its financial liabilities when they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

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

The daily liquidity position is monitored by the ALM unit and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Block. The ALM unit receives information from business units regarding the liquidity structure of their financial assets and liabilities and projected cash flows arising from projected future business. Forecasting is performed on a short-term and medium-term horizon, and tactical steps are stipulated at each planning interval, subject to possibility of using various sources of funding, including external borrowings and different ways of placing temporarily free funds. Based on the forecast of expected inflows and outflows of funds, the ALM estimates the deficit/excess of liquidity and provides an operational forecast of liquidity ratios.

The Bank' management regularly receives information on the liquidity position. Frequency of information submission depends on the Bank's liquidity position at each specific point of time. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. The information submitted is sufficient to assess adequately the Bank's liquidity position as a whole and in individual areas (currencies, customers, etc.) that also enables the Bank's collective bodies and business units to make informed decision on the Bank's ability to satisfy its liquidity needs and perform its obligations in time and in full scope.

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2022 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	22,051,481	-	-	-	-	22,051,481	22,051,481
Current accounts and deposits from customers	843,785,720	131,698,276	264,525,645	595,795,675	170,733,580	2,006,538,896	1,930,978,745
Debt securities issued	-	962,433	-	9,081,323	10,548,055	20,591,811	16,667,144
Subordinated debt securities issued	112,275	-	973,346	22,060,171	206,607,275	229,753,067	74,685,514
Other borrowed funds	97	581,389	557,371	806,225	82,769,217	84,714,299	70,058,378
Lease liabilities	140,569	280,214	392,638	673,393	1,946,883	3,433,697	3,175,407
Other financial liabilities	15,415,569	-	-	189,193	-	15,604,762	15,604,762
Derivative financial liabilities *							
- Inflow	(88,707,137)	-	-	-	-	(88,707,137)	(190,953)
- Outflow	88,516,184	-	-	-	-	88,516,184	-
Total liabilities	**881,314,758**	**133,522,312**	**266,449,000**	**628,605,980**	**472,605,010**	**2,382,497,060**	**2,133,030,478**
Credit related commitments	182,064,822	-	-	-	-	182,064,822	182,064,822

**including spot transactions.*

The maturity analysis for financial liabilities as at 31 December 2021 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	566,311	-	-	-	-	566,311	566,311
Current accounts and deposits from customers	267,685,677	196,750,332	228,611,166	316,235,104	175,142,874	1,184,425,153	1,136,380,599
Debt securities issued	-	795,996	-	795,996	20,258,936	21,850,928	16,462,157
Subordinated debt securities issued	112,275	-	703,804	6,816,079	229,213,983	236,846,141	70,309,216
Other borrowed funds	115	1,499,289	187,040	1,048,117	27,483,079	30,217,640	26,029,572
Lease liabilities	119,208	233,214	336,032	566,693	1,448,945	2,704,092	2,562,741
Other financial liabilities	23,715,780	-	246,240	19	-	23,962,039	23,962,039
Derivative financial liabilities *							
- Inflow	(20,375,052)	-	-	-	-	(20,375,052)	(18,019)
- Outflow	20,357,033	-	-	-	-	20,357,033	-
Total liabilities	**292,181,347**	**199,278,831**	**230,084,282**	**325,462,008**	**453,547,817**	**1,500,554,285**	**1,276,254,616**
Credit related commitments	122,783,475	-	-	-	-	122,783,475	122,783,475

** including spot transactions.*

In accordance with legislation of the Republic of Kazakhstan, legal entities and individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The maturities of the total amount of term deposits are as follows:

- KZT 35,513,640 thousand are categorised to "demand deposits" and those which mature within less than one month (31 December 2021: KZT 34,206,811 thousand);
- KZT 131,383,671 thousand are categorised to deposits, which mature within one to three months (31 December 2021: KZT 196,746,170 thousand);
- KZT 264,464,291 thousand are categorised to deposits, which mature within three to six months (31 December 2021: KZT 228,542,873 thousand);
- KZT 595,774,642 thousand are categorised to deposits, which mature within six to twelve months (31 December 2021: KZT 316,235,104 thousand);
- KZT 169,517,763 thousand are categorised to deposits, which mature within the period of more than one year (31 December 2021: KZT 175,141,959 thousand).

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

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2022:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Cash and cash equivalents	906,893,391	-	-	-	-	-	-	906,893,391
Securities measured at fair value through other comprehensive income	1,666,870	1,702,116	20,355,232	87,543,165	490,805	-	63,638	111,821,826
Deposits and balances with banks	4,120,696	-	-	-	7,870,376	-	-	11,991,072
Loans to customers	72,165,640	82,470,762	270,440,359	543,830,200	73,632,840	-	16,717,284	1,059,257,085
Securities measured at amortised cost	8,789,293	10,895,674	38,028,186	164,979,971	-	-	2,219,087	224,912,211
Current tax asset	8,235	-	-	-	-	-	-	8,235
Property, plant and equipment and intangible assets	-	-	-	-	-	20,779,004	-	20,779,004
Right-of-use assets	-	-	-	-	-	2,668,639	-	2,668,639
Other assets	9,814,127	265,764	323,770	14,868	3,035,716	3,880,748	13,271	17,348,264
Total assets	**1,003,458,252**	**95,334,316**	**329,147,547**	**796,368,204**	**85,029,737**	**27,328,391**	**19,013,280**	**2,355,679,727**
Deposits and balances from banks	22,051,481	-	-	-	-	-	-	22,051,481
Current accounts and deposits from customers	836,050,946	117,360,058	822,511,769	125,565,744	29,490,228	-	-	1,930,978,745
Debt securities issued	-	674,916	8,040,458	7,951,770	-	-	-	16,667,144
Subordinated debt securities issued	106,038	-	15,966,031	2,383,412	56,230,033	-	-	74,685,514
Other borrowed funds	96	528,956	847,957	3,715,569	64,965,800	-	-	70,058,378
Lease liabilities	3,765	31,281	238,204	2,876,626	25,531	-	-	3,175,407
Deferred tax liabilities	-	-	-	-	-	17,647,683	-	17,647,683
Other liabilities	23,260,576	-	235,193	-	-	-	-	23,495,769
Total liabilities	**881,472,902**	**118,595,211**	**847,839,612**	**142,493,121**	**150,711,592**	**17,647,683**	**-**	**2,158,760,121**
Net position	**121,985,350**	**(23,260,895)**	**(518,692,065)**	**653,875,083**	**(65,681,855)**	**9,680,708**	**19,013,280**	**196,919,606**
Accumulated net position	**121,985,350**	**98,724,455**	**(419,967,610)**	**233,907,473**	**168,225,618**	**177,906,326**	**196,919,606**	

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2021:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Cash and cash equivalents	419,639,224	-	-	-	-	-	-	419,639,224
Securities measured at fair value through other comprehensive income	6,625,497	8,913,718	10,491,743	75,982,944	21,986,114	-	-	124,000,016
Deposits and balances with banks	2,012,871	84,734	649,493	-	4,187,655	-	-	6,934,753
Loans to customers	37,584,927	64,309,247	175,521,648	313,168,545	30,080,648	-	14,673,308	635,338,323
Securities measured at amortised cost	25,228,665	12,565,636	73,662,777	58,833,863	-	-	-	170,290,941
Current tax asset	357,244	-	-	-	-	-	-	357,244
Property, plant and equipment and intangible assets	-	-	-	-	-	20,314,158	-	20,314,158
Right-of-use assets	-	-	-	-	-	2,157,005	-	2,157,005
Other assets	24,259,144	437,063	134,206	73,021	3,218,123	6,165,188	6,762	34,293,507
Total assets	**515,707,572**	**86,310,398**	**260,459,867**	**448,058,373**	**59,472,540**	**28,636,351**	**14,680,070**	**1,413,325,171**
Deposits and balances from banks	566,311	-	-	-	-	-	-	566,311
Current accounts and deposits from customers	263,619,221	189,584,097	526,657,446	132,814,443	23,705,392	-	-	1,136,380,599
Debt securities issued	-	564,883	-	15,897,274	-	-	-	16,462,157
Subordinated debt securities issued	106,038	-	1,493,251	15,989,838	52,720,089	-	-	70,309,216
Other borrowed funds	117	1,444,570	882,712	4,281,764	19,420,409	-	-	26,029,572
Lease liabilities	6,277	11,855	237,563	2,307,046	-	-	-	2,562,741
Deferred tax liabilities	-	-	-	-	-	11,747,533	-	11,747,533
Other liabilities	29,688,216	-	246,259	20,500	-	-	-	29,954,975
Total liabilities	**293,986,180**	**191,605,405**	**529,517,231**	**171,310,865**	**95,845,890**	**11,747,533**	**-**	**1,294,013,104**
Net position	**221,721,392**	**(105,295,007)**	**(269,057,364)**	**276,747,508**	**(36,373,350)**	**16,888,818**	**14,680,070**	**119,312,067**
Accumulated net position	**221,721,392**	**116,426,385**	**(152,630,979)**	**124,116,529**	**87,743,179**	**104,631,997**	**119,312,067**	

Management believes that the following factors provide decrease in the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals.
- As at 31 December 2022 the balance of accounts and deposits from related parties, which fall due within 1 year, is KZT 309,400,468 thousand (2021: KZT 406,388,901 thousand). Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Group's liquidity management objectives.

(e) Operational risk

Operational risk is the probability of loss resulting from inadequate or failed internal processes, people and systems or from external events, except for strategic and reputational risk.

The goal of the Group's operational risk management is to ensure that the accepted risk be maintained at an acceptable level in accordance with the strategic objectives as well as to ensure the maximum soundness of assets and capital by reducing (excluding) possible losses, and it is measured using qualitative and quantitative systems of operational risk assessment.

The operational risk management process is an integral part of the business management process and represents a group of tools established by the Rules No.188 of the NBRK, which provides a mechanism of interaction between internal procedures, processes, policies, business units of the bank, developed and governed by the Group, enabling to identify, measure, evaluate, monitor and control the level of operational risk, thus minimising the impact of significant risks for the Group, as well as to ensure its financial stability and stable operation.

29 Capital management

The NBRK sets and monitors capital requirements for the Bank.

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

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

Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments, treasury preference shares, investments in financial instruments of investees not consolidated in the Bank with certain limitations and regulatory adjustments to be deducted from the tier 2 capital, but due to insufficient levels of it deducted from additional capital.

Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions which the Bank holds 10% and more issued shares in, not consolidated in the Group with certain limitations.

As at 31 December 2022 and 31 December 2021 total capital is the sum of tier 1 and tier 2 capital.

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

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

– a ratio of basic capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets and contingent assets and liabilities, and quantified operational risk (k1);

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

As at 31 December 2022 and 2021, the minimum level of ratios as applicable to the Bank are as follows:

	Including capital conservation buffer		**Net of capital conservation buffer**	
	2022	**2021**	**2022**	**2021**
k1 – not less than	0.075	0.075	0.055	0.055
k1-2 – not less than	0.085	0.085	0.065	0.065
k2 – not less than	0.100	0.100	0.080	0.080

On 1 October 2019, NBRK introduced a new regulatory capital buffer for the capitalisation ratios. A regulatory buffer is calculated as a ratio of a positive difference between the provisions calculated in accordance with the "Guidance on establishing provisions for impairment of the Bank assets in the form of loans and accounts receivable to the Statutory Ratios", and the provisions formed and recorded in the Bank accounts in accordance with IFRS and the requirements of the law of the Republic of Kazakhstan on accounting and financial reporting (hereinafter - "a positive difference"), to the sum of credit risk-weighted assets and contingent liabilities.

Since 1 June 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has lowered the capital conservation buffer requirement to 1% for a period until 1 June 2021 as part of measures to ensure socioeconomic stability.

The Bank complied with all prudential capital adequacy ratios k1, k1-2 and k2 as at 31 December 2022. The Bank's actual coefficients are as follows: k1 – 0.132, k1-2 – 0.132 and k2 – 0.241 (31 December 2021: k1 – 0.122, k1-2 – 0.122 and k2 – 0.287).

The Bank's capital position as at 31 December 2022 calculated in accordance with the requirements established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan of 13 September 2017, No.170 "On establishment of normative values and techniques of calculations of prudential standard rates and other regulations, obligatory to observance, and limits of the size of the capital of bank for the certain date and Rules of calculation and limits of the open foreign exchange position of bank" amounted to KZT 334,568,877 thousand (31 December 2021: KZT 262,409,243 thousand). Tier 1 capital as at 31 December 2022 amounted to KZT 183,639,837 thousand (31 December 2021: KZT 111,062,292 thousand).

30 Credit related commitments

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

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

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

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Contracted amount		
Loan and credit line commitments	146,580,721	95,658,028
Financial guarantees	25,923,385	24,454,056
Letters of credit	9,560,716	2,671,391
Total	**182,064,822**	**122,783,475**
Loss allowance	**(199,371)**	**(171,877)**

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

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

The table below provides information on the quality of credit related commitments as at 31 December 2022 and 31 December 2021:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Standard	53,139,135	47,666,121
Low risk	45,442,524	21,535,364
Medium risk	61,373,396	40,234,860
Not rated	896,042	301,787
Not rated (secured with cash)	5,389,776	137,763
Contingent liabilities on credit card limits	15,823,949	12,907,580
Total	**182,064,822**	**122,783,475**
Loss allowance	**(199,371)**	**(171,877)**

As at 31 December 2022, loan and credit line commitments of KZT 145,534,201 thousand are categorised into Stage 1, KZT 437,704 thousand are categorised into Stage 2, and KZT 608,816 thousand are categorised into Stage 3 (31 December 2021: KZT 95,058,325 thousand, KZT 118,498 thousand and KZT 481,205 thousand are categorised into Stages 1, 2, 3 respectively).

As at 31 December 2022 the Group has no customers whose balances exceed 10% of total commitments (31 December 2021: 1 customer). The value of these commitments as at 31 December 2022 amounted to KZT 0 (31 December 2021: ZT 12,553,276 thousand).

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2022.

KZT'000 **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at the beginning of the year	167,231	2,591	2,055	171,877
Transfer to Stage 1	6,369	(1,899)	(4,470)	-
Transfer to Stage 2	(542)	542	-	-
Transfer to Stage 3	(714)	-	714	-
Net remeasurement of loss allowance	(294,361)	(5,587)	(1,130)	(301,078)
New financial assets originated or purchased	302,965	4,823	4,471	312,259
Foreign exchange and other movements	16,269	-	44	16,313
Allowance for expected credit losses at the end of the year	**197,217**	**470**	**1,684**	**199,371**

The table below shows movement in loss allowance on credit related commitments for the year ended 31 December 2021.

KZT'000 **Credit related commitments**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at the beginning of the year	17	-	-	17
Transfer to Stage 2	(1,881)	1,881	-	-
Net remeasurement of loss allowance	131,004	710	752	132,466
New financial assets originated or purchased	38,110	-	1,303	39,413
Foreign exchange and other movements	(19)	-	-	(19)
Allowance for expected credit losses at the end of the year	**167,231**	**2,591**	**2,055**	**171,877**

During 2022, the Group issued guarantees for the total amount of KZT 21,112,964 thousand (in 2021: KZT 19,676,126 thousand), including those that were subsequently categorised into Stage 1 of credit quality in the amount of KZT 20,636,339 thousand, to Stage 2 - of KZT 400,061 thousand, to Stage 3 - of KZT 76,564 thousand (in 2021: to Stage 1 of credit quality in the amount of KZT 19,074,624 thousand, to Stage 2 - of KZT 388,329 thousand and to Stage 3 - of KZT 213,173 thousand). During 2022, the Group derecognised credit related commitments on guarantees for the total amount of KZT 20,407,993 thousand (in 2021: KZT 12,948,971 thousand), including those that were categorised into Stage 1 of credit quality in the amount of KZT 19,561,362 thousand, to Stage 2 - of KZT 801,204 thousand, to Stage 3 - of KZT 45,427 thousand (in 2021: to Stage 1 of credit quality in the amount of KZT 12,931,056 thousand, to Stage 2 - of KZT 0 and to Stage 3 - of KZT 17,915 thousand).

31 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the consolidated financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

32 Related party transactions

(a) Control relationships

The Group's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent Company is controlled by the group of individuals, Mr A.A. Mashkevich, Mr P.K. Chodiyev, Mrs M.N. Ibragimova, each one owns 33.3%. Publicly available consolidated financial statements are produced by the Bank's Parent Company.

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2022 KZT'000	2021 KZT'000
Members of the Board of Directors	415,543	393,079
Members of the Management Board	1,270,018	917,779
Other key management personnel	2,777,202	1,799,032
	4,462,763	**3,109,890**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average effective interest rates as at 31 December 2022 and 2021 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	31 December 2022 KZT'000	Average effective interest rate, %	31 December 2021 KZT'000	Average effective interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	236,221	6.18	100,226	7.90
Loans to customers (allowance for expected credit losses)	(3,374)	-	(1,638)	-
LIABILITIES				
Current accounts and deposits from customers	27,745,477	6.80	29,979,309	6.82

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2022 KZT'000	2021 KZT'000
Profit or loss		
Interest income under the effective interest method	10,145	3,110
Interest expense	(2,062,951)	(2,059,763)
Fee and commission income	332	705
Impairment losses on debt financial assets	(1,214)	(478)

(c) Transactions with other related parties

The outstanding balances and the related average contractual interest rates as at 31 December 2022 and related profit or loss amounts of transactions for the year ended 31 December 2022 with other related parties are as follows:

	Parent Company		**Other subsidiaries of the Parent Company**		**Other related parties***		
31 December 2022	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	3,166,837	16.93	3,166,837
- in USD	-	-	-	-	33,361,050	4.17	33,361,050
Loans to customers (allowance for expected credit losses)	-	-	-	-	(11,003,120)	-	(11,003,120)
Other assets							
- in KZT	-	-	546,312	-	2,815	-	549,127
- in USD	-	-	-	-	29,121	-	29,121
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	453,827	14.88	6,676,500	14.88	76,630,485	12.03	83,760,812
- in USD	-	-	7,081,628	1.47	188,449,925	1.32	195,531,553
- in other currencies	-	-	1,288,037	0.02	24,738,392	2.99	26,026,429
Debt securities issued							
- in KZT	-	-	52,462	13.00	-	-	52,462
Subordinated debt securities issued							
- in KZT	-	-	822,843	13.00	-	-	822,843
Other liabilities							
- in KZT	-	-	393,347	-	169,477	-	562,824
- in USD	-	-	-	-	38,877	-	38,877

	Parent Company		Other subsidiaries of the Parent Company		Other related parties*		
31 December 2022	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the consolidated statement of financial position							
Loan and credit line commitments	-	-	-	-	855,128	-	855,128
Guarantees issued	-	-	19,584	-	1,220,784	-	1,240,368
Guarantees received	-	-	-	-	5,415,838	-	5,415,838
Letters of credit	-	-	-	-	316,916	-	316,916
Profit/(loss)		-		-		-	
Interest income under the effective interest method	-	-	-	-	558,466	-	558,466
Interest expense	(440,862)	-	(882,236)	-	(4,052,044)	-	(5,375,142)
Fee and commission income	604	-	19,670,926	-	949,000	-	20,620,530
Fee and commission expense	-	-	(2,880)	-	(228,795)	-	(231,675)
Net foreign exchange loss	-	-	(98,429)	-	(4,758,836)	-	(4,857,265)
- *including dealing operations, net*	-	-	24,232	-	14,560,989	-	14,585,221
- *including translation differences, net*	-	-	(122,661)	-	(19,319,825)	-	(19,442,486)
Other operating expenses	-	-	-	-	(314,078)	-	(314,078)
Impairment losses on debt financial assets	-	-	-	-	4,527,109	-	4,527,109
Other general and administrative expenses	-	-	(85,791)	-	(209,663)	-	(295,454)

The outstanding balances and the related average contractual interest rates as at 31 December 2021 and related profit or loss amounts of transactions for the year ended 31 December 2021 with other related parties are as follows:

	Parent Company		**Other subsidiaries of the Parent Company**		**Other related parties***		
31 December 2021	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers							
- in KZT	-	-	-	-	3,402,748	15.01	3,402,748
- in USD	-	-	-	-	36,711,638	4.21	36,711,638
Loans to customers (allowance for expected credit losses)	-	-	-	-	(13,877,316)	-	(13,877,316)
Other assets							
- in KZT	-	-	37,473	-	19,588	-	57,061
LIABILITIES							
Current accounts and deposits from customers							
- in KZT	178,495	8.18	422,131	7.97	120,564,338	6.17	121,164,964
- in USD	-	-	7,875,345	0.50	255,814,264	0.43	263,689,609
- in other currencies	-	-	1,389,209	0.32	5,268,605	2.00	6,657,814
Debt securities issued		-				-	
- in KZT	-	-	27,512	8.90	-	-	27,512
Subordinated debt securities issued		-				-	
- in KZT	-	-	32,933	9.40	-	-	32,933
Other liabilities		-		-	-	-	
- in KZT	-	-	342,965	-	188,900	-	531,865
- in USD	-	-	-	-	3,269	-	3,269

	Parent Company		Other subsidiaries of the Parent Company		Other related parties*		
31 December 2021	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**KZT'000**	**Average contractual interest rate, %**	**Total KZT'000**
Items not recognised in the consolidated statement of financial position							
Loan and credit line commitments	-	-	-	-	2,361	-	2,361
Guarantees issued	-	-	-	-	45,427	-	45,427
Guarantees received	-	-	-	-	5,261,550	-	5,261,550
Letters of credit	-	-	-	-	3,932	-	3,932
Profit/(loss)							
Interest income under the effective interest method	-	-	-	-	1,044,730	-	1,044,730
Other interest income	-	-	-	-	145,650	-	145,650
Interest expense	(143,028)	-	(489,031)	-	(3,497,069)	-	(4,129,128)
Fee and commission income	689	-	12,169,525	-	609,341	-	12,779,555
Fee and commission expense	-	-	(2,880)	-	(194,612)	-	(197,492)
Net gain on financial instruments measured at fair value through profit or loss	-	-	-	-	1,433,376	-	1,433,376
Net foreign exchange gain/(loss)	-	-	67,044	-	(4,500,707)	-	(4,433,663)
- including dealing operations, net	-	-	4,337	-	1,367,700	-	1,372,037
- including translation differences, net	-	-	62,707	-	(5,868,407)	-	(5,805,700)
Other operating expenses	-	-	-	-	(331,418)	-	(331,418)
Impairment losses on debt financial assets	-	-	-	-	(15,402,271)	-	(15,402,271)
Other general and administrative expenses	-	-	(80,365)	-	(181,944)	-	(262,309)

**Other related parties are the entities that are controlled by the Parent Company's shareholders.*

Loans to related parties with net carrying amount of KZT 20,525,635 thousand (31 December 2021: KZT 26,328,159 thousand) are secured by land plots, real estate, guarantees, movable property and other types of collateral, whose value mostly covers the carrying amount of these loans excluding overcollateralization. The remaining amount of loans to related parties is not secured. The term of expiry of the guarantees received to secure the loans issued is determined by the terms of repayment of these loans.

33 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022:

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	906,893,391	906,893,391	906,893,391
Financial instruments measured at fair value through profit or loss	500,923	-	-	500,923	500,923
Financial assets measured at fair value through other comprehensive income	-	111,821,826	-	111,821,826	111,821,826
Deposits and balances with banks	-	-	11,991,072	11,991,072	11,991,072
Loans to customers					
Loans to corporate customers	-	-	338,039,072	338,039,072	331,970,151
Loans to retail customers	-	-	721,218,013	721,218,013	674,103,957
Investments measured at amortised cost					
Government bonds	-	-	200,584,378	200,584,378	197,651,374
Development bank bonds			4,756,088	4,756,088	4,644,870
Corporate bonds	-	-	19,571,745	19,571,745	21,380,900
Other financial assets	-	-	10,252,562	10,252,562	10,252,562
	500,923	**111,821,826**	**2,213,306,321**	**2,325,629,070**	**2,271,211,026**
Financial instruments measured at fair value through profit or loss	89,853	-	-	89,853	89,853
Deposits and balances from banks	-	-	22,051,481	22,051,481	22,051,481
Current accounts and deposits from customers	-	-	1,930,978,745	1,930,978,745	1,923,795,568
Debt securities issued	-	-	16,667,144	16,667,144	14,611,085
Subordinated debt securities issued	-	-	74,685,514	74,685,514	79,970,288
Other borrowed funds	-	-	70,058,378	70,058,378	70,058,378
Other financial liabilities	-	-	15,605,825	15,605,825	15,605,825
	89,853	**-**	**2,130,047,087**	**2,130,136,940**	**2,126,182,478**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

KZT'000	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	419,639,224	419,639,224	419,639,224
Financial instruments measured at fair value through profit or loss	18,900	-	-	18,900	18,900
Financial assets measured at fair value through other comprehensive income	-	124,000,016	-	124,000,016	124,000,016
Deposits and balances with banks	-	-	6,934,753	6,934,753	6,934,753
Loans to customers					
Loans to corporate customers	-	-	204,033,597	204,033,597	205,150,381
Loans to retail customers	-	-	431,304,726	431,304,726	415,520,421
Investments measured at amortised cost					
Government bonds	-	-	106,124,120	106,124,120	106,953,512
Development bank bonds			27,081,053	27,081,053	27,070,092
Corporate bonds	-	-	37,085,768	37,085,768	36,920,328
Other financial assets	-	-	25,482,312	25,482,312	25,482,312
	18,900	**124,000,016**	**1,257,685,553**	**1,381,704,469**	**1,367,689,939**
Financial instruments measured at fair value through profit or loss	1,871	-	-	1,871	1,871
Deposits and balances from banks	-	-	566,311	566,311	566,311
Current accounts and deposits from customers	-	-	1,136,380,599	1,136,380,599	1,143,718,375
Debt securities issued	-	-	16,462,157	16,462,157	15,450,333
Subordinated debt securities issued	-	-	70,309,216	70,309,216	85,517,357
Other borrowed funds	-	-	26,029,572	26,029,572	26,029,572
Other financial liabilities	-	-	23,962,039	23,962,039	23,962,039
	1,871	**-**	**1,273,709,894**	**1,273,711,765**	**1,295,245,858**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value, discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

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

- discount rates of 5.73 – 20.65% and 6.15 – 40.96% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (31 December 2021: 4.50 – 14.90% and 6.00 – 26.81%, respectively);
- discount rates of 0.90 – 14.44% and 0.87 – 13.27% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively (31 December 2021: 0.40 – 7.30% and 0.80 – 7.80%, respectively);
- discount rates of 16.12% – 18.76% and 16.18% – 19.32%, are used for discounting future cash flows from debt securities issued and subordinated debt securities, respectively (31 December 2021: 13.84% – 14.21% and 13.85% – 14.42%, respectively);

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

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: valuation techniques based on observable inputs, either directly (i.e, as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Derivative assets	500,923	-	-	500,923
- Derivative liabilities	(89,853)	-	-	(89,853)
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	37,139,456	67,060,800	7,621,570	111,821,826
	37,550,526	**67,060,800**	**7,621,570**	**112,232,896**

The table below analyses financial instruments measured at fair value at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss				
- Derivative assets	18,900	-	-	18,900
- Derivative liabilities	(1,871)	-	-	(1,871)
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	82,445,226	41,554,790	-	124,000,016
	82,462,255	**41,554,790**	**-**	**124,017,045**

Due to low market liquidity, management considers that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2022 and 2021 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

Unobservable valuation differences on initial recognition

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see note 3(d)(v)).

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

	Level 3
	Financial assets measured at fair value through other comprehensive income
	Debt and other fixed-income instruments
KZT'000	**2022**
Balance at the beginning of the year	**-**
Transfers from Level 1	11,689,278
Net loss on financial instruments measured at fair value through other comprehensive income	(5,118,900)
Interest income accrued	288,939
Coupon redemption	(7,155)
Foreign exchange and other movements	769,408
Balance at the end of the year	**7,621,570**

The following table shows a reconciliation for the year ended 31 December 2021 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3
	Financial instruments at fair value through profit or loss
	Loans to customers
KZT'000	**2021**
Balance at the beginning of the year	**4,608,253**
Net gain on financial instruments measured at fair value through profit or loss	1,433,376
Interest income accrued	145,650
Foreign exchange and other movements	97,404
Redemptions	(6,284,683)
Balance at the end of the year	**-**

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

Valuation techniques and significant unobservable inputs

The table below sets out information about the valuation techniques and significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy:

Financial instruments measured at fair value

Type of financial instrument	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Debt and other fixed-income instruments	Finnerty Model	− Discount due to lack of active market (DLOM) 23.33% - 40.55% − Volatility 139.60%-165.65%	The estimated fair value will increase (decrease) if: − DLOM is lower (higher); − volatility will be lower (higher).

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

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	906,893,391	-	906,893,391	906,893,391
Deposits and balances with banks	-	11,991,072	-	11,991,072	11,991,072
Loans to customers	-	980,418,497	25,655,611	1,006,074,108	1,059,257,085
Investments measured at amortised cost	153,026,643	57,362,101	13,288,400	223,677,144	224,912,211
Liabilities					
Deposits and balances from banks	-	22,051,481	-	22,051,481	22,051,481
Current accounts and deposits from customers	-	1,923,795,568	-	1,923,795,568	1,930,978,745
Debt securities issued	-	14,611,085	-	14,611,085	16,667,144
Subordinated debt securities issued	-	79,970,288	-	79,970,288	74,685,514
Other borrowed funds	-	70,058,378	-	70,058,378	70,058,378

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2021.

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	419,639,224	-	419,639,224	419,639,224
Deposits and balances with banks	-	6,934,753	-	6,934,753	6,934,753
Loans to customers	-	574,337,812	46,332,989	620,670,801	635,338,323
Investments measured at amortised cost	152,640,599	18,303,333	-	170,943,932	170,290,941
Liabilities					
Deposits and balances from banks	-	566,311	-	566,311	566,311
Current accounts and deposits from customers	-	1,143,718,375	-	1,143,718,375	1,136,380,599
Debt securities issued	-	15,450,333	-	15,450,333	16,462,157
Subordinated debt securities issued	-	85,517,357	-	85,517,357	70,309,216
Other borrowed funds	-	26,029,572	-	26,029,572	26,029,572

34 Subsequent events

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