Associated Bank Kazakhstan – Ziraat International Bank Joint Stock Company

International Financial Reporting Standards Separate Financial Statements and Independent Auditor's Report

For the year ended 31 December 2022

Contents

Independent Auditor's Report

To the Shareholder and Management of Associated Bank Kazakhstan – Ziraat International Bank JSC:

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Associated Bank Kazakhstan – Ziraat International Bank JSC (the "Bank") as at 31 December 2022, and the Bank's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

the Bank's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2022;
- the separate statement of comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the separate financial statements.

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Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP.

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Aigul Akhmetova
Audit Assurance Partner
Auditor in charge
(Qualified Auditor's Certificate №0000083 dated 27 August 2012)

24 March 2023

Almaty, Kazakhstan

In thousands of Kazakhstani Tenge	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	8	73,608,146	37,745,423
Due from other banks	9	1,209,370	1,076,701
Loans to customers	10	75,501,612	75,798,827
Property and equipment	11	12,032,537	10,882,025
Intangible assets		321,308	279,078
Investments	12	554,379	554,379
Corporate income tax prepayment	23	185,770	-
Other assets	13	4,950,901	6,298,928
TOTAL ASSETS		**168,364,023**	**132,635,361**
LIABILITIES			
Due to credit institutions	14	5,108,357	5,102,162
Customer accounts	15	103,266,804	90,732,471
Current corporate income tax payable		-	110,010
Deferred corporate income tax liability	23	214,864	166,858
Lease liabilities	16	403,105	534,769
Other liabilities	17	478,734	200,174
TOTAL LIABILITIES		**109,471,864**	**96,846,444**
EQUITY			
Share capital	18	48,500,000	15,000,000
Retained earnings		8,264,238	18,916,705
Reserve funds	18	1,177,175	1,177,175
Revaluation reserve for property and equipment		950,746	695,037
TOTAL EQUITY		**58,892,159**	**35,788,917**
TOTAL LIABILITIES AND EQUITY		**168,364,023**	**132,635,361**

Signed and authorized for issue on behalf of the Management Board of the Bank on 24 March 2023:

Murat Alkan
Chairman of the Management Board

Alma Maxutova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2022	2021
Interest income calculated using effective interest rate	19	11,990,180	8,404,431
Interest expense	19	(2,830,557)	(2,224,826)
Net interest income		**9,159,623**	**6,179,605**
Expected credit losses expense	20	(21,362,019)	(2,311,322)
Net interest income after expected credit losses expense		**(12,202,396)**	**3,868,283**
Fee and commission income	21	1,257,924	989,887
Fee and commission expense	21	(285,299)	(167,381)
Net gains from transactions in foreign currencies:			
- dealing		3,104,629	955,075
- translation differences		43,755	2,141
Other income		176,368	180,968
Administrative and other operating expenses	22	(2,763,369)	(2,261,250)
(Loss)/Profit before corporate income tax expense		**(10,668,388)**	**3,567,723**
Corporate income tax economy/(expense)	23	15,921	(828,408)
(Loss)/Profit for the year		**(10,652,467)**	**2,739,315**
Other comprehensive income			-
Items that will not be subsequently reclassified to profit or loss:			
Revaluation of land and buildings (net of deferred corporate income tax – 63,927 thousand Tenge)		255,709	-
Other comprehensive income for the year		255,709	-
Total comprehensive (loss)/income for the year		**(10,396,758)**	**2,739,315**
Basic and diluted earnings per share (in Tenge)	18	**(356.81)**	**182.62**

Signed and authorized for issue on behalf of the Management Board of the Bank on 24 March 2023:

Murat Alkan
Chairman of the Management Board

Alma Maxutova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	Share capital	Reserve funds	Revaluation reserve for property and equipment	Retained earnings	Total equity
As at 31 December 2020	18	15,000,000	1,177,175	696,534	16,175,893	33,049,602
Profit for the year		-	-	-	2,739,315	2,739,315
Other comprehensive income		-	-	-	-	-
Total comprehensive income for 2021		**-**	**-**	**-**	**2,739,315**	**2,739,315**
Property and equipment depreciation		-	-	(1,497)	1,497	-
As at 31 December 2021	**18**	**15,000,000**	**1,177,175**	**695,037**	**18,916,705**	**35,788,917**
Loss for the year		-	-	-	(10,652,467)	(10,652,467)
Other comprehensive income		-	-	255,709	-	255,709
Total comprehensive income/(loss) for 2022		**-**	**-**	**255,709**	**(10,652,467)**	**(10,396,758)**
Issue of shares		33,500,000	-	-	-	33,500,000
As at 31 December 2022	**18**	**48,500,000**	**1,177,175**	**950,746**	**8,264,238**	**58,892,159**

Signed and authorized for issue on behalf of the Management Board of the Bank on 24 March 2023:

M. Alkan

Murat Alkan
Chairman of the Management Board

Alma Maxutova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	19	10,866,569	7,199,671
Interest paid	19	(2,903,861)	(2,168,827)
Fees and commissions received	21	1,255,583	991,750
Fees and commissions paid	21	(285,299)	(167,381)
Net gains from dealing in foreign currencies		3,104,629	955,075
Other operating income received		176,009	180,968
Personnel expenses paid	22	(1,048,051)	(839,139)
Administrative and other operating expenses paid	22	(1,365,699)	(1,096,618)
Corporate income tax paid	23	(295,780)	(735,078)
Cash flows from operating activities before changes in operating assets and liabilities		**9,504,100**	**4,320,421**
Net (increase)/decrease in operating assets			
Due from other banks		54,418	(69,807)
Loans to customers		(17,310,395)	(24,246,480)
Other assets		1,247,599	(1,194,477)
Net increase/(decrease) in operating liabilities			
Receivables under reverse repurchase agreements		(22,328)	-
Due to credit institutions		-	2,463,257
Due to other banks		(1,454,037)	57,369
Customers accounts		8,238,527	3,399,953
Other liabilities		784,409	91,673
Net cash from/(used in) operating activities		**1,042,293**	**(15,178,091)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets	10	(1,212,672)	(324,193)
Proceeds from sale of property and equipment		358	–
Net cash flows used in investing activities		**(1,212,314)**	**(324,193)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	18	33,500,000	-
Repayment of the principal amount of the lease debt		(176,373)	(179,520)
Net cash from/(used in) financing activities		**33,323,627**	**(179,520)**
Effect of expected credit losses on cash and cash equivalents	7	(3,263)	782
Effect of exchange rate changes on cash and cash equivalents		2,712,380	651,563
Net increase/(decrease) in cash and cash equivalents		**35,862,723**	**(15,029,459)**
Cash and cash equivalents as at beginning of the year		37,745,423	52,774,882
Cash and cash equivalents as at the end of the year	7	**73,608,146**	**37,745,423**

Signed and authorized for issue on behalf of the Management Board of the Bank on 24 March 2023:

Murat Alkan
Chairman of the Management Board

Alma Maxutova
Chief Accountant

1 Introduction

Associated Bank Kazakhstan – Ziraat International Bank Joint Stock Company (the "Bank") was registered in 1993 in accordance with the legislation of the Republic of Kazakhstan. The Bank conducts its activities under the general bank license No. 1.2.67/241 issued by the Agency of the Republic of Kazakhstan for regulation and development of financial market (the "Agency") on 3 February 2020.

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

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory Insurance of Second Tier Banks Deposits" dated 7 July 2006 and is governed by the National Bank of the Republic of Kazakhstan (hereinafter - NBRK). The insurance covers the Bank's obligations: up to 20 million Tenge on savings deposits in the national currency, up to 10 million Tenge on cards, accounts and other deposits in the national currency, and up to 5 million Tenge on guaranteed deposits in foreign currency to each individual depositor in case of bankruptcy and revocation of the NBK license to carry out banking activities. Since 1993, the Bank has been a member of the Kazakhstan Stock Exchange (hereinafter referred to as the "KSE") and has been involved in foreign exchange transactions.

As at 31 December 2022, the Bank's branch network comprises 7 branches and 1 central banking office located in the Republic of Kazakhstan (31 December 2021: 7 branches and 1 central banking office).

Registered address of the Bank's head office: 132 Klochkov street, Almaty, A15K7B1, Republic of Kazakhstan.

As at 31 December 2022 and 2021, the controlling shareholder of the Bank is T.C. Ziraat Bankasi A.S (Turkey) (hereinafter referred to as the "Parent" or the "Controlling Shareholder").

As at 31 December 2022 and 2021, the shareholders of the Bank were as follows:

Shareholder	31 December 2022, %	31 December 2021, %
T.C. Ziraat Bankasi A.S.	99.92	99.75
Emlak Pazarlama Insaat Proje Yonetimi ve Ticaret A.S.	0.08	0.25
Total	**100.00**	**100.00**

2 Operating environment of the Bank

COVID-19. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Kazakhstani authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Most of those measures were subsequently relaxed, however, as of 31 December 2022, there remains a risk that the authorities may impose additional restrictions in 2023 as a response to possible new variants of the virus.

Conflict between Russia and Ukraine. On 21 February 2022, the President of Russia announced the recognition of the Lugansk and Donetsk People's Republics, and on 24 February sent mobilized military troops to the territory of Ukraine. In response to Russia's actions, the United States of America, the European Union and several other countries have imposed sanctions against Russia, including cutting off a number of Russian financial institutions from SWIFT. Russia is Kazakhstan's largest trading partner, accounting for up to 40% of oil exports, and is a key trade transit, in particular through the Caspian Pipeline Consortium (CPC), which allows the export of up to 80% of Kazakhstani crude oil.

As a result of the conflict between Russia and Ukraine and its consequences, the Tenge exchange rate has become more volatile, with inflation reaching almost 20.3% in December 2022. Currently, the National Bank of the Republic of Kazakhstan has taken several measures to maintain the stability of the financial system of Kazakhstan.

2 Operating environment of the Bank (continued)

The long-term effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from the actual results.

Overall, the economy of the Republic of Kazakhstan continues to exhibit some of the characteristics of an emerging market. It is particularly sensitive to fluctuations in the prices of oil and gas and other minerals, which make up the bulk of the country's exports. These features also include, but are not limited to, the existence of a national currency that is not freely convertible outside the country, and the low level of liquidity in the securities market. High inflation, problems caused by the recent internal unrest in January 2022, ongoing political tensions in the region, exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including reducing liquidity and creating difficulties in attracting international financing.

As at the date of this report, the official exchange rate of the National Bank of the Republic of Kazakhstan was 462.36 Tenge per 1 US dollar compared to 462.65 Tenge per 1 US dollar as at 31 December 2022 (31 December 2021: 431.8 Tenge per 1 US dollar). Thus, uncertainty remains regarding the Tenge exchange rate and future actions of the National Bank and the Government, as well as the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2022, the international rating agency S&P Global Ratings confirmed the sovereign rating of Kazakhstan at BBB-. The credit rating outlook was downgraded to "negative" as a result of growing external and financial risks. Fitch has affirmed Kazakhstan's long-term rating as 'BBB' with a 'stable' outlook. The stable outlook is supported by the government's strong fiscal and external balance sheets, fiscal flexibility backed by accumulated savings from oil revenues, a net financial creditor position, and measures implemented by the Government of the Republic of Kazakhstan.

The economic environment has a significant impact on the Bank's operations and financial position. The management takes all necessary measures to ensure the sustainable operation of the Bank. However, the future impact of the current economic environment is difficult to predict, and management's current expectations and estimates could differ from the actual results.

3 Summary of Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of property and plant measured at fair value. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5)

The preparation of IFRS financial statements requires the use of some critical accounting estimates. In addition, management needs to exercise its judgment in applying the Bank's accounting policies. Areas of accounting that involve a higher degree of measurement or complexity, and areas where assumptions and estimates are material to the financial statements, are discussed in Note 4.

As at 31 December 2022 and 2021, the Bank has 100% share in two subsidiaries engaged in the field of stress asset management. For more information (Note 11).

Controlled entities are not consolidated into these separate financial statements. Investments in controlled entities were accounted for at cost. These separate financial statements should be read in conjunction with the consolidated financial statements that were approved for issue by the Bank's management on 24 March 2023. The consolidated financial statements for the year ended 31 December 2022, prepared in accordance with IFRS and issued on 24 March 2023 can be obtained from the Bank's head office at address mentioned above.

These separate financial statements are presented in thousands of Kazakhstani Tenge (hereinafter - "Tenge"), unless otherwise is stated.

Going concern basis. Management prepared these financial statements on a going concern basis. Refer to Note 4 for uncertainties relating to events and conditions that may cast a significant doubt upon the Bank's ability to continue as a going concern.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

- Amortized cost;
- FVPL.

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

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

Due from credit institutions, loans to customers measured at amortized cost. The Bank only measures due from credit institutions, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

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

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

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

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

Test "exclusively payments against the principal amount of debt and interest on the outstanding part of the principal amount of debt" (The SPPI test). As part of the classification process, the Bank evaluates the contractual terms of a financial asset to determine whether the contractual cash flows on the asset are solely payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt (SPPI test).

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Financial guarantees are initially recognized in the separate financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in separate statement of profit or loss, and – under IFRS 9 – an Expected Credit Losses (the "ECL").

Credit obligations and letters of credit are contractual obligations under the terms of which, during the term of the obligation, the Bank is obliged to provide a loan to the client on pre-agreed terms.

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

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, due from the NBRK (excluding required reserves) and due from credit institutions including deposits and funds placed under reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances.

Receivables under repurchase and reverse repurchase agreements and securities lending. Contracts for the sale and repurchase of securities ("repo" agreements) are recorded in the separate financial statements as secured financing transactions. Securities sold under repurchase agreements continue to be reflected in the separate statement of financial position and are transferred to the category of securities provided as collateral under repurchase agreements if the counterparty has the right to sell or re-pledge these securities arising from the terms of the agreement or generally accepted practice. The corresponding liabilities are included in the funds of other banks or customers. The purchase of securities under reverse sale agreements (reverse "repo") is reflected as part of cash and cash equivalents or due from credit institutions, depending on the situation. The difference between the price and the repurchase price is treated as interest income and is accrued over the life of the repurchase agreements using the effective interest method.

Borrowings. Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other banks and customer accounts. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the borrowings are derecognized as well as through the amortization process

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

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

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

Fair value measurement. The Bank measures financial instruments carried at FVPL and non-financial assets such as buildings and land, at fair value at each reporting date.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Restructured loans. Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within loss from modification of financial assets measured at amortized cost in the separate statement of profit or loss that are presented as a part of interest revenue calculated using the effective interest rate in the statement of profit or loss before an impairment loss is recognized

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 3-month probation period. In order for the restructured loan to be reclassified out of Stage 3, impairment indicators should be eliminated and at least three subsequent payments have been made in accordance with the modified payment schedule.

3 Summary of Significant Accounting Policies (Continued)

As part of the implementation of the IBOR reform, many financial instruments have already been changed or will be changed as we move from IBOR to a risk-free interest rate. In addition to a change in the interest rate of a financial instrument, such a transition may result in additional changes to the terms of the financial instrument. For financial instruments measured at amortized cost, the Bank first applies the practical expedient described in *Note 3* to reflect the change in base interest rate from IBOR to the risk-free rate. Then, for any changes to which the practical expedient does not apply, the Bank uses judgment to assess whether the changes are material. If these changes are material, the financial instrument is derecognized and a new financial instrument is recognized. If the changes are immaterial, the Bank adjusts the gross carrying amount of the financial instrument by the present value of the changes not subject to practical expedient, discounted using the revised effective interest rate.

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

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

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

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

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

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers due from other banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

3 Summary of Significant Accounting Policies (Continued)

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

- restructuring of the loan due to deterioration of financial position of the borrower;
- a material decrease in the underlying collateral value more than 50% during 6 month period;
- death of the borrower
- the borrower is deceased: loss or unsuitability of the underlying collateral during 6 month period

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. In order for the restructured loan to be reclassified out of Stage 3, impairment indicators should be eliminated and at least three subsequent payments have been made in accordance with the modified payment schedule.

Taxation. The current corporate income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for separate financial reporting purposes.

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

The Republic of Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are recorded within administrative and other operating expenses in the separate statement of comprehensive income.

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

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

After initial recognition at cost, buildings and land are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation (of buildings) and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognized in other comprehensive income, except for reversals of any previous impairment of the asset previously recognized in profit or loss. In this case, the amount of the increase in the value of the asset is recognized in profit or loss. Revaluation write downs are recognized in profit or loss, unless such decrease is offset directly against a previous surplus on the same asset recognized in the property, plant and equipment revaluation reserve. The Bank has also elected not to transfer the revaluation surplus to retained earnings in relation to actual use of respective asset.

The Bank applies an accounting method whereby the revaluation surplus is not transferred to retained earnings as the asset is used up. The bank rolls over the entire surplus when the asset is written off or liquidated.

3 Summary of Significant Accounting Policies (Continued)

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

	Useful lives in years
Buildings	50 years
Computers and office equipment	2.5 years
Vehicles	4 years
Other	4 – 6.7 years

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

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

Leases. *Bank as a lessee.* The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the Bank does not have sufficient assurance that it will obtain title to the leased asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis over the shorter of the asset's estimated useful life or the lease term. Right-of-use assets are tested for impairment.

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

To calculate the present value of lease payments, the Bank uses the rate of attraction of additional borrowed funds at the start date of the lease, if the interest rate stipulated in the lease agreement cannot be easily determined. After the start date of the lease, the amount of lease liabilities increases to reflect the accrual of interest and decreases to reflect the lease payments made. In addition, in the event of a modification, change in the lease term, a change in substantially fixed lease payments or a change in the valuation of an option to purchase an underlying asset, the carrying amount of lease liability is revalued.

Short-term leases and leases of low-value assets. The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (up to 100 minimum calculated indicators). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

3 Summary of Significant Accounting Policies (Continued)

Intangible assets. Intangible assets comprise computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 6.7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Assets classified as held for sale. The Bank classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Bank measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognizes an impairment loss for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

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

Retirement and other employee benefit obligations. The Bank does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

Share capital

Ordinary shares. Ordinary shares are shown within equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

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

Segment reporting. The Bank's segmental reporting is based on the following operating segments: Corporate banking and retail banking.

Contingent assets and liabilities. Contingent liabilities are not recognized in the separate statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

3 Summary of Significant Accounting Policies (Continued)

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

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

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

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

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

Fee and commission income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Commission income from providing transaction services. Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Bank's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognized after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation. The separate financial statements are presented in Tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate established and published by KASE ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the separate statement of comprehensive income as net gains from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the official KASE exchange rate on the date of the transaction are included in net gains from dealing in foreign currencies. The KASE market exchange rates on 31 December 2022 and 2021, were 462.65 Tenge and 431.8 Tenge to 1 US Dollar, respectively.

Changes in the presentation of financial statements. Where necessary, comparative data has been adjusted to align with the presentation of current year results. The table below shows the impact of the reclassification on the amounts as at 31 December 2021 for financial reporting purposes.

3 Summary of Significant Accounting Policies (Continued)

1) Presenting fee and commission income and expenses separately in the statement of comprehensive income

In the previous year's financial statements, the Bank disclosed fee and commission income and expenses separately in the notes in the financial statements, but showed them on a net basis in the statement of comprehensive income. For this year's financial statements, the Bank discloses fee and commission income and expenses separately in the statement of comprehensive Income as at 31 December 2022 and 31 December 2021.

In thousands of Kazakhstani Tenge	Initially presented amount	Reclassification	Amount after reclassification as at 31 December 2021
Commission income	822,506	167,381	989,887
Commission expense	-	(167,381)	(167,381)

2) Analysis of financial liabilities by maturities remaining to maturity

The Bank changed the presentation of the analysis of financial liabilities by maturities remaining to maturity as at 31 December 2021 due to the fact that the presentation as of that date was prepared based on the term of the participation agreement in the funding program.

In thousands of Kazakhstani Tenge	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
As at 31 Decmber 2021						
Financial Liabilities						
Due to credit institutions						
Initially presented amount	–	–	–	–	8,097,049	**8,097,049**
Reclassification	-	42,500	372,417	3,818,554	(5,383,495)	**(1,150,024)**
Amount after reclassification	–	42,500	372,417	3,818,554	2,713,554	**6,947,025**

3) Fair value hierarchy in the previous year's financial statements,

In the previous year's financial statements, the Bank presented cash and cash equivalents as Level 1 in the fair value hierarchy due to the fact that cash and cash equivalents are available for immediate use and are not at risk of significant fluctuations in fair value. In this year's financial statements as at 31 December 2022, the Bank disclosed cash and cash equivalents other than cash as Level 2 in accordance with generally accepted practice. Data as of 31 December 2021 has also been adjusted.

In the previous year's financial statements, the Bank presented loans to customers as Level 2 in the fair value hierarchy due to the assumption that the credit risk on loans to customers was sufficiently observable in the market and the fair value of loans could be determined reasonably reliably from observable sources. In 2022, the Bank performed additional analysis and concluded that the use of both observable and non-observable data is necessary to determine the fair value of borrowings, and therefore decided to present them as Level 3 in the fair value hierarchy. Data as of 31 December 2021 has also been adjusted.

		Fair Value Measurement with the use of			
In thousands of Kazakhstani Tenge	Date of measurement	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				–	
Cash and cash equivalents					
2021 – Initially presented amount	31 December 2021	37,745,423	–	–	37,745,423
Reclassification		(36,031,260)	36,031,260		
2021 – Amount after reclassification	31 December 2021	1,714,163	36,031,260	–	37,745,423

3 Summary of Significant Accounting Policies (Continued)

		Fair Value Measurement with the use of			
In thousands of Kazakhstani Tenge	Date of measurement	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				-	
Loans to customers					
2021 – Initially presented amount	31 December 2021	-	76,117,986	-	76,117,986
Reclassification		-	(76,117,986)	76,117,986	-
2021 – Amount after reclassification	31 December 2021		-	76,117,986	76,117,986

4) Additional disclosures not presented in the prior year's financial statements

In the prior year's financial statements, the Bank did not disclose an analysis of the credit quality of the Bank's financial assets and credit related commitments, as this information was not expected to be material to users of the financial statements. In this year's financial statements, this analysis was disclosed, and comparative information as of 31 December 2021 was also presented. In Notes 8, 9, 10 and 24 disclosures that were not presented in the previous year's financial statements are marked *.

4 Significant Accounting Judgements and Estimates

The Bank makes accounting estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities in the next financial year. Accounting estimates and judgments are subject to ongoing review and are based on management's past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying accounting policies, management also makes judgments other than those related to accounting estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and accounting estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include the following:

Fair value of financial instruments. Where the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 26.

Deferred income tax asset recognition. The recognized deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Based on the results of 2022, the Bank has a tax loss that the Bank can carry forward for 10 years to reduce taxable profit in future periods. In accordance with IAS 12, the recognition of deferred tax assets in respect of the carry forward of unused tax losses is possible if the Bank has a probable future taxable profit against which the Bank can offset unused tax losses. Due to the tax loss that arose in 2022 only, as at 31 December 2022 the Bank did not recognize a deferred tax asset in respect of these tax losses. In accordance with IAS 12, at the end of each reporting period, the Bank reassesses unrecognized deferred tax assets and recognizes any previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable profit will offset that deferred tax asset. The amount of unrecognized deferred tax asset is presented in Note 23.

ECL assessement. The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

4 Significant Accounting Judgements and Estimates (Continued)

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

More details are provided in Notes 10 and 25.

A 10% increase or decrease in the probability of default as at 31 December 2022 would have increased or decreased the total allowance for expected credit losses by KZT 131,982 thousand (31 December 2021: increase or decrease by KZT 64,417 thousand). A 10% increase or decrease in loss in case of default as at 31 December 2022 would have increased or decreased the total allowance for expected credit losses by KZT 64,053 thousand (31 December 2021: increase or decrease by 79,030 thousand Tenge).

Significant increase in credit risk. To determine whether there has been a significant increase in credit risk, the Bank compares the risk of default occurring over the life of a financial instrument at the reporting date with the risk of default occurring at the date of initial recognition. The assessment process considers the relative increase in credit risk rather than the specific level of credit risk at the reporting date. The Bank takes into account all reasonable and supportable forward-looking information that is available without undue cost and effort, including a number of factors, including the behavioral aspects of specific client portfolios. The Bank determines behavioral indications of an increase in credit risk prior to default and includes relevant forward-looking information in credit risk assessments at the individual instrument or portfolio level. If the ECL on all loans to customers were measured as lifetime ECL (i.e., including those currently in Stage 1 and measured as 12-month ECL), the allowance for expected credit losses as at 31 December 2022 would have been Tenge 266,490 thousand more (31 December 2021: Tenge 363,851 thousand more).

5 Adoption of New or Revised Standards and Interpretations

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognized some liabilities in a business combination that it would not recognize under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

5 Adoption of New or Revised Standards and Interpretations (Continued)

- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation defferences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The application of the amendments had no significant impact on the Bank's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Bank has not early adopted.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and those entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

6 New Accounting Pronouncements (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Bank plans to apply this standard to certain performance guarantees issued by the Bank and is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognize those costs as an asset until the entity recognizes the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services*: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognize a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognized on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognized before or at the same time as the loss is recognized on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

6 New Accounting Pronouncements (Continued)

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortized cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognized in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7 Segment Information

Operating segments are components of the Bank that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. Management Board of the Bank is the operating decision maker of the Bank.

Description of products and services from which each reportable segment derives its revenue

The Bank is established based on one major business segment – corporate banking, representing direct debit instruments, current accounts, deposits, overdrafts, loans and other credit instruments and foreign exchange products. The Bank also conducts retail banking transactions that represent private banking services, private customer current accounts, savings, deposits, consumer loans.

Segment information for the reportable segments as at 31 December 2022 and for the year ended on that date is set out below:

In thousands of Tenge	**Corporate banking**	**Retail banking**	**Total**
Assets			
Cash and cash equivalents	73,608,146	-	73,608,146
Due from other banks	1,209,370	-	1,209,370
Loans to customers	74,248,904	1,252,708	75,501,612
Total assets of reportable segments	**149,066,420**	**1,252,708**	**150,319,128**
Unallocated amounts			18,044,895
Total assets			**168,364,023**
Liabilities			
Due to credit institutions	5,108,357		5,108,357
Customer accounts	84,714,683	18,552,121	103,266,804
Total liabilities of reportable segments	**89,823,040**	**18,552,121**	**108,375,161**
Unallocated amounts			1,096,703
Total liabilities			**109,471,864**

7 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Corporate banking	Retail banking	Total
Interest income calculated using effective interest rate	11,226,388	763,792	11,990,180
Other interest income	-	-	-
Interest expense	(2,638,096)	(192,461)	(2,830,557)
Net interest income	**8,588,292**	**571,331**	**9,159,623**
Expected credit losses expense	(21,289,901)	(72,118)	(21,362,019)
Net interest income after expected credit losses expense	**(12,701,609)**	**499,213**	**(12,202,396)**
Fee and commission income	938,788	319,136	1,257,924
Fee and commission expense	(285,299)	-	(285,299)
Net gains from transactions in foreign currencies:			
- dealing			
- translation differences	3,104,629	-	3,104,629
Fee and commission income	43,755	-	43,755
Other income	176,368	-	176,368
Administrative and other operating expenses	(2,763,369)	-	(2,763,369)
Segment results	**(11,486,737)**	**818,349**	**(10,668,388)**
Corporate income tax expense			15,921
Profit for the year			**(10,652,467)**

Segment information for the reportable segments as at 31 December 2021 and for the year ended on that date is set out below:

In thousands of Kazakhstani Tenge	Corporate banking	Retail banking	Total
Assets			
Cash and cash equivalents	37,745,423		37,745,423
Due from other banks	1,076,701	-	1,076,701
Receivables under reverse repurchase agreements	74,761,580	1,037,247	75,798,827
Total assets of reportable segments	**113,583,704**	**1,037,247**	**114,620,951**
Unallocated amounts			18,014,410
Total assets			**132,635,361**
Liabilities			
Due to credit institutions	5,102,162	-	5,102,162
Customer accounts	77,815,220	12,917,251	90,732,471
Total liabilities of reportable segments	**82,917,382**	**12,917,251**	**95,834,633**
Unallocated amounts			1,011,811
Total liabilities			**96,846,444**

7 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Corporate banking	Retail banking	Total
Interest income calculated using effective interest rate	8,033,731	370,700	8,404,431
Other interest income			
Interest expense	(1,887,208)	(337,618)	(2,224,826)
Net interest income	**6,146,523**	**33,082**	**6,179,605**
Expected credit losses expense	(2,417,688)	106,366	(2,311,322)
Net interest income after expected credit losses expense	**3,728,835**	**139,448**	**3,868,283**
Fee and commission income	751,461	238,426	989,887
Fee and commission expense	(167,381)	-	(167,381)
Net gains from transactions in foreign currencies:			
- dealing	955,075	-	955,075
- revaluation of currency items	2,141	-	2,141
Other income	180,968	-	180,968
Administrative and other operating expenses	(2,260,799)	(451)	(2,261,250)
Segment results	**3,190,300**	**377,423**	**3,567,723**
Corporate income tax expense			(828,408)
Profit for the year			**2,739,315**

Income of the Bank, other than interest income from deposits with other banks, is generated in the Republic of Kazakhstan. Geographic areas of the Bank's activities are presented in Note 25 to these separate financial statements on the basis of the actual location of the counterparty, i.e., on the basis of economic risk rather than legal risk of the counterparty. The Bank has no customers, which would bring more than ten percent of the total income earned in 2022 and 2021.

8 Cash and Cash Equivalents

Cash and cash equivalents comprise of the following:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Current accounts with the NBRK	683,353	7,931,442
Current accounts with other banks	12,493,062	5,934,931
Time deposits with NBRK up to 90 days	48,279,218	5,901,434
Time deposits with Credit Institutions up to 90 days	10,182,528	1,238,059
Cash on hand	1,973,972	1,714,163
Reverse repurchase agreements	-	15,026,141
Total cash and cash equivalents	**73,612,133**	**37,746,170**
Less ECL allowance	(3,987)	(747)
Total cash and cash equivalents	**73,608,146**	**37,745,423**

8 Cash and Cash Equivalents (Continued)

All balances of cash and cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

In thousands of Kazakhstani Tenge	Stage 1
As at 31 December 2020	(1,529)
Change in ECL for the year	858
Foreign exchange differences	(76)
As at 31 December 2021	**(747)**
Change in ECL for the year	(3,263)
Foreign exchange differences	23
As at 31 December 2022	**(3,987)**

The table below provides an analysis of cash and cash equivalents by credit quality as at 31 December 2022:

In thousands of Kazakhstani Tenge	Cash balances with the NBRK, including mandatory reserves	Time deposits with Other Banks	Correspondent accounts with other banks	Total
Neither past due nor impaired				
- NBRK (BBB- rated)	48,962,571	-	-	48,962,571
- BBB- to BBB+ rated	-	-	407,812	407,812
- BB- to BB+ rated	-	7,865,924	9,385,304	17,251,228
- B- to B+ rated	-	2,316,604	2,699,946	5,016,550
Gross carrying amount	**48,962,571**	**10,182,528**	**12,493,062**	**71,638,161**
ECL allowance	-	(92)	(3,895)	(3,987)
Total cash and cash equivalents, excluding cash on hand	**48,962,571**	**10,182,436**	**12,489,167**	**71,634,174**

The Bank assesses the credit quality of cash and cash equivalents based on external ratings assigned to banks by independent international rating agencies: S&P, Moody's and Fitch.

For the purposes of measuring expected credit losses, cash and cash equivalent balances are included in Stage 1 as at 31 December 2022 and 31 December 2021. The approach to measuring expected credit losses is described in Note 25.

See Note 26 for the measurement of the fair value of cash and cash equivalents.

8 Cash and Cash Equivalents (Continued)

The table below provides an analysis of cash and cash equivalents by credit quality as at 31 December 2021*:

In thousands of Kazakhstani Tenge	Cash balances with the NBRK, including mandatory reserves	Time deposits with Other Banks	Corresponde nt accounts with other banks	Reverse repurchase agreements	Total
Neither past due nor impaired					
NBRK (BBB rated)	13,832,876				13,832,876
- BBB- to BBB+ rated	-	-	1,577,106	15,026,141	16,603,247
- BB- to BB+ rated	-	1,238,059	4,311,079	-	5,549,138
- not rated	-	-	46,746	-	46,746
Gross carrying amount	**13,832,876**	**1,238,059**	**5,934,931**	**15,026,141**	**36,032,007**
ECL allowance	-	(168)	(579)	-	(747)
Total cash and cash equivalents, excluding cash on hand	**13,832,876**	**1,237,891**	**5,934,352**	**15,026,141**	**36,031,260**

*This disclosure was not presented in previous year's financial statements.

Collateral

As at 31 December 2022, the Bank had no receivables under reverse repurchase agreements. As at 31 December 2021, receivables under reverse sale and repurchase agreements were secured by the following securities:

In thousands of Kazakhstani Tenge	31 December 2021
Notes of the National Bank of the Republic of Kazakhstan	8,435,200
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3,984,000
Bonds of the Eurasian Bank	3,339,000
	15,758,200

Minimum reserve requirements

Under Kazakh legislation, the Bank is required to maintain reserve assets, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held on the current account with the NBRK or physical cash computed based on average monthly balances of the aggregate of cash balances on current account with the NBRK and/or physical cash in national currency during the period of reserve creation. As at 31 December 2022, obligatory reserves amounted to 2,949,732 thousand Tenge (as at 31 December 2021: 2,648,455 thousand Tenge).

9 Due from Other Banks

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Due from other banks	1,209,685	1,079,770
Less ECL allowance	(315)	(3,069)
Total due from other banks	**1,209,370**	**1,076,701**

As at 31 December 2022, the Bank had a deposit in ZIRAAT Bank Uzbekistan JSC in the amount of 2,500,000 US Dollars or in the equivalent amounted to 1,156,625 thousand Tenge (as at 31 December 2021 the balance was 2,500,000 US Dollars or 1,079,770 thousand Tenge).

9 Due from Other Banks (Continued)

In thousands of Kazakhstani Tenge	Stage 1
ECL allowance as at 31 December 2020	(1,504)
Change in ECL during the year	(1,495)
Foreign exchange differences	(70)
ECL allowance as at 31 December 2021	**(3,069)**
Change in ECL during the year	2,969
Foreign exchange differences	(215)
ECL allowance as at 31 December 2021	**(315)**

The table below provides an analysis of deposits with banks by credit quality as at 31 December 2022 and 31 December 2021:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Neither past due nor impaired		
B- rated	1,209,370	1,076,701
Total amount due from other banks	**1,209,370**	**1,076,701**

*This disclosure was not presented in previous year's financial statements..

The Bank assesses the credit quality of deposits in banks based on external ratings assigned to banks by independent international rating agencies: S&P, Moody's and Fitch.

For the purposes of measuring expected credit losses, bank balances are included in Stage 1 as at 31 December 2022 and 31 December 2021. The Bank creates a credit loss allowance for deposits with banks.

See Note 26 for fair value measurements of deposits with banks.

10 Loans to Customers

Loans to customers comprise of the following:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Loans to small and medium businesses	56,073,297	66,824,723
Loans to major customers	25,496,046	15,160,204
Mortgage loans	1,222,860	960,850
Consumer loans	239,860	211,351
Total carrying amount of loans to customers measured at amortized cost before ECL	**83,032,063**	**83,157,128**
Less ECL allowance	(7,530,451)	(7,358,301)
Total loans to customers	**75,501,612**	**75,798,827**

As of 31 December 2022 and 2021, the Bank classifies loans to customers with an average annual number of employees of more than two hundred and fifty people and (or) an average annual income of more than three million monthly calculation index as of the loan issuance date as "loans issued to large customers"; customers with an average annual number of employees of no more than two hundred and fifty people and (or) an average annual income of no more than three million monthly calculated indicators as of the date of issuance of the loan, as "loans issued to small and medium-sized businesses." The monthly calculation index as at 31 December 2022 was KZT 3,180 (31 December 2021: KZT 2,917). Loans granted to individuals secured by real estate are classified by the Bank as "mortgage loans". All other loans to individuals are classified by the Bank as "consumer loans".

10 Loans to Customers (Continued)

ECL allowance on loans to customers measured at amortized cost. An analysis of changes in the gross carrying value and corresponding ECL in relation to lending to major customers during the year ended 31 December 2022 is as follows:

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to major customers				
Gross carrying amount as at 1 January 2022	**3,632,155**	**3,719,466**	**7,808,583**	**15,160,204**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	25,005,020			25,005,020
Transfers to other categories	7,293,999	(2,680,010)	-	4,613,989
Derecognition during the period	(10,062,037)	(1,077,959)	-	(11,139,996)
Transfers to Stage 1	12,402	(12,402)		
Transfers to Stage 2	(387,603)	387,603	-	-
Transfers to Stage 3	-	-	-	-
Net change in accrued interest	144,388	(161,319)	4,909	(12,022)
Total changes affecting credit loss allowance charge for the period	**22,006,178**	**(3,544,087)**	**4,909**	**18,467,000**
Changes that do not affect credit loss allowance charges for the period:				
Write-offs	-	-	(9,176,340)	(9,176,340)
Positive and negative foreign exchange differences	(317,666)	-	1,362,848	1,045,182
As at 31 December 2022	**25,320,667**	**175,379**	**-**	**25,496,046**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to major customers				
ECL as at 1 January 2022	**(25,502)**	**(29,662)**	**(1,400,315)**	**(1,455,479)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(202,961)	-	-	(202,961)
Transfers to other categories	(54,172)	27,371	-	(26,801)
Derecognition during the period	20,271	2,124	-	22,395
Transfers to Stage 1	(138)	138	-	-
Transfers to Stage 2	2,398	(2,398)	-	-
Transfers to Stage 3	-	-	-	-
Change in ECL as a result of transfers between Stages or changes in source data	112,414	1,349	(7,571,076)	(7,457,313)
Total changes affecting credit loss allowance charge for the period	**(122,188)**	**28,584**	**(7,571,076)**	**(7,664,680)**
Changes that do not affect credit loss allowance charges for the period:				
Write offs			9,176,340	9,176,340
Positive and negative foreign exchange differences	(2,067)	-	(204,949)	(207,016)
As at 31 December 2022	**(149,757)**	**(1,078)**	**-**	**(150,835)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to small and medium businesses				
Gross carrying amount as at 1 January 2022	**46,643,715**	**6,507,933**	**13,673,075**	**66,824,723**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	47,697,169	-	-	47,697,169
Transfers to other categories	(7,293,999)	2,680,010	-	(4,613,989)
Derecognition during the period	(39,028,604)	(4,162,412)	(1,238,168)	(44,429,184)
Transfers to Stage 1	4,241,688	(4,241,688)	-	-
Transfers to Stage 2	(8,812,462)	9,219,732	(407,270)	-
Transfers to Stage 3	(9,975,224)	(2,707,734)	12,682,958	-
Net change in accrued interest	1,704,992	929,224	(2,572,989)	61,227
Total changes affecting credit loss allowance charge for the period	**(11,466,440)**	**1,717,132**	**8,464,531**	**(1,284,777)**
Changes that do not affect credit loss allowance charges for the period:				
Write-offs	-	-	(12,423,120)	(12,423,120)
Compensations			39,058	39,058
Positive and negative foreign exchange differences	1,092,227	120,444	1,704,742	2,917,413
As at 31 December 2022	**36,269,502**	**8,345,509**	**11,458,286**	**56,073,297**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to small and medium businesses				
ECL as at 1 January 2022	**(389,189)**	**(252,027)**	**(5,126,652)**	**(5,767,868)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(1,794,235)		-	(1,794,235)
Transfers to other categories	54,172	(27,371)	-	26,801
Derecognition during the period	84,370	64,645	230,214	379,229
Transfers to Stage 1	(58,211)	58,211	-	-
Transfers to Stage 2	96,944	(170,944)	74,000	-
Transfers to Stage 3	351,193	29,227	(380,420)	-
Change in ECL as a result of transfers between Stages or changes in source data	968,024	(182,874)	(12,891,682)	(12,106,532)
Total changes affecting credit loss allowance charge for the period	**(297,743)**	**(229,106)**	**(12,967,888)**	**(13,494,737)**
Changes that do not affect credit loss allowance charges for the period:				
Write-offs	-	-	12,423,120	12,423,120
Compensations		-	(39,058)	(39,058)
Positive and negative foreign exchange differences	(312)	(6,479)	(284,270)	(291,061)
As at 31 December 2022	**(687,244)**	**(487,612)**	**(5,994,748)**	**(7,169,604)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Gross carrying amount as at 1 January 2022	**60,313**	**7,706**	**143,332**	**211,351**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	450,821	-	-	450,821
Derecognition during the period	(288,427)	(7,928)	(127,092)	(423,447)
Transfers to Stage 1	7,387	(7,387)	-	-
Transfers to Stage 2	(10,323)	10,323	-	-
Transfers to Stage 3	-	-	-	-
Net change in accrued interest	(2,772)	2,755	17	-
Total changes affecting credit loss allowance charge for the period	**156,686**	**(2,237)**	**(127,075)**	**27,374**
Changes that do not affect credit loss allowance charges for the period:				
Compensations	-	-	108	108
Positive and negative foreign exchange differences	662	237	128	**1,027**
As at 31 December 2022	**217,661**	**5,706**	**16,493**	**239,860**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
ECL as at 1 January 2022	**(504)**	**(70)**	**(77,357)**	**(77,931)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(3,630)	-	-	(3,630)
Derecognition during the period	147	1	49,887	50,035
Transfers to Stage 1	(68)	68	-	-
Transfers to Stage 2	47	(47)	-	-
Transfers to Stage 3	-	-	-	-
Change in ECL as a result of transfers between Stages or changes in source data	1,473	(25)	11,214	12,662
Total changes affecting credit loss allowance charge for the period	**(2,031)**	**(3)**	**61, 101**	**59,067**
Changes that do not affect credit loss allowance charges for the period:				
Compensations	-	-	(108)	(108)
Positive and negative foreign exchange differences	(8)	(3)	(128)	**(139)**
As at 31 December 2022	**(2,543)**	**(76)**	**(16,492)**	**(19,111)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Mortgage loans				
Gross carrying amount as at 1 January 2022	**550,812**	**313,449**	**96,589**	**960,850**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	788,211	-	-	788,211
Derecognition during the period	(373,622)	(115,225)	(44,436)	(533,283)
Transfers to Stage 1	99,911	(95,540)	(4,371)	-
Transfers to Stage 2	(45,756)	57,340	(11,593)	-
Transfers to Stage 3	(126,680)	(101,884)	228,564	
Net change in accrued interest	(72,955)	72,431	530	6
Total changes affecting credit loss allowance charge for the period	**269,109**	**(182,869)**	**168,694**	**254,934**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	1,526	-	5,550	**7,076**
As at 31 December 2022	**821,447**	**130,580**	**270,833**	**1,222,860**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Mortgage loans				
ECL as at 1 January 2022	(3,109)	(46,566)	(7,348)	**(57,023)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(54,293)	-	-	(54,293)
Derecognition during the period	1,010	3	-	1,013
Transfers to Stage 1	(1,301)	260	1,041	-
Transfers to Stage 2	430	(3,117)	2,687	
Transfers to Stage 3	43,921	38,814	(82,735)	-
Change in ECL as a result of transfers between Stages or changes in source data	3,496	10,167	(91,568)	(77,905)
Total changes affecting credit loss allowance charge for the period	**(6,737)**	**46,127**	**(170,575)**	**(131,185)**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	-	-	(2,693)	(2,693)
As at 31 December 2022	**(9,846)**	**(439)**	**(180,616)**	**(190,901)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to major customers				
Gross carrying amount as at 1 January 2021	**5,391,472**	**6,069,652**	**-**	**11,461,124**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	6,826,196	-	-	6,826,196
Transfers from other categories		2,753,782	-	2,753,782
Derecognition during the period	(4,319,235)	(3,001,618)	-	(7,320,853)
Transfers to Stage 1	439,830	(439,830)	-	-
Transfers to Stage 2	(2,678,766)	2,678,766	-	-
Transfers to Stage 3	(2,571,462)	(4,724,793)	7,296,255	-
Net change in accrued interest	534,915	376,088	407,488	1,318,491
Total changes affecting credit loss allowance charge for the period	**(1,768,522)**	**(2,357,605)**	**7,703,743**	**3,577,616**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	9,205	7,419	104,840	121,464
As at 31 December 2021	**3,632,155**	**3,719,466**	**7,808,583**	**15,160,204**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to major customers				
ECL as at 1 January 2021	**(92,709)**	**(142,541)**	**-**	**(235,250)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(32,133)	-	-	(32,133)
Transfers from other categories	-	(27,371)	-	(27,371)
Derecognition during the period	4,894	282	-	5,176
Transfers to Stage 1	(4,581)	4,581	-	-
Transfers to Stage 2	4,024	(4,024)	-	-
Transfers to Stage 3	77,780	137,471	(215,251)	-
Change in ECL as a result of transfers between Stages or changes in source data	17,261	1,967	(1,136,032)	(1,116,804)
Total changes affecting credit loss allowance charge for the period	**67,245**	**112,906**	**(1,351,283)**	**(1,171,132)**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	(38)	(27)	(49,032)	(49,097)
As at 31 December 2021	**(25,502)**	**(29,662)**	**(1,400,315)**	**(1,455,479)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to small and medium businesses				
Gross carrying amount as at 1 January 2021	**14,223,790**	**15,085,497**	**14,305,525**	**43,614,812**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	53,452,072	–	–	53,452,072
Transfers to other categories		(2,753,782)	–	(2,753,782)
Derecognition during the period	(23,472,040)	(8,658,646)	(1,609,689)	(33,740,375)
Transfers to Stage 1	2,762,820	(2,762,820)	-	-
Transfers to Stage 2	(2,706,623)	4,272,669	(1,566,046)	-
Transfers to Stage 3	(887,300)	(132,232)	1,019,532	-
Net change in accrued interest	2,792,582	1,421,997	1,011,156	5,225,735
Total changes affecting credit loss allowance charge for the period	**31,941,511**	**(8,612,814)**	**(1,145,047)**	**22,183,650**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	478,414	35,250	512,597	1,026,261
As at 31 December 2021	**46,643,715**	**6,507,933**	**13,673,075**	**66,824,723**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Loans to small and medium businesses				
ECL as at 1 January 2021	**(182,651)**	**(204,199)**	**(4,322,964)**	**(4,709,814)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(539,503)	-	-	(539,503)
Transfers to other categories	-	27,371	-	27,371
Derecognition during the period	32,709	47,937	182,845	263,491
Transfers to Stage 1	(26,994)	26,994	-	-
Transfers to Stage 2	10,397	(752,988)	742,591	-
Transfers to Stage 3	22,786	55,271	(78,057)	-
Change in ECL as a result of transfers between Stages or changes in source data	297,361	561,302	(1,586,331)	(727,668)
Total changes affecting credit loss allowance charge for the period	**(203,244)**	**(34,113)**	**(738,952)**	**(976,309)**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	(3,294)	(13,715)	(64,736)	(81,745)
As at 31 December 2021	**(389,189)**	**(252,027)**	**(5,126,652)**	**(5,767,868)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Gross carrying amount as at 1 January 2021	**58,668**	**73,830**	**296,784**	**429,282**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	95,121	–	–	95,121
Derecognition during the period	(202,215)	(119,389)	(150,940)	(472,544)
Transfers to Stage 1	591	(591)	–	–
Transfers to Stage 2	(13,915)	13,915	–	–
Transfers to Stage 3	(11,064)		11,064	
Net change in accrued interest	133,665	39,775	(14,496)	158,944
Total changes affecting credit loss allowance charge for the period	**1,283**	**(66,290)**	**(153,472)**	**(218,479)**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	362	166	20	548
As at 31 December 2021	**60,313**	**7,706**	**143,332**	**211,351**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
ECL as at 1 January 2021	**(460)**	**(391)**	**(128,183)**	**(129,034)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(9,555)	-	-	(9,555)
Derecognition during the period	446	7,784	65,491	73,721
Transfers to Stage 1	(9)	9	-	-
Transfers to Stage 2	75	(75)	-	-
Transfers to Stage 3	26,789	-	(26,789)	-
Change in ECL as a result of transfers between Stages or changes in source data	(17,787)	(7,396)	12,169	(13,014)
Total changes affecting credit loss allowance charge for the period	**(41)**	**322**	**50,871**	**51,152**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	(3)	(1)	(45)	(49)
As at 31 December 2021	**(504)**	**(70)**	**(77,357)**	**(77,931)**

10 Loans to Customers (Continued)

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

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Mortgage loans				
Gross carrying amount as at 1 January 2021	**574,279**	**399,416**	**231,503**	**1,205,198**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	670,358	-	-	670,358
Derecognition during the period	(440,172)	(193,147)	(196,691)	(830,010)
Transfers to Stage 1	132,040	(126,688)	(5,352)	-
Transfers to Stage 2	(129,826)	222,056	(92,230)	
Transfers to Stage 3	(158,482)	-	158,482	-
Net change in accrued interest	(98,295)	9,780	(12,386)	(100,901)
Total changes affecting credit loss allowance charge for the period	**(24,377)**	**(87,999)**	**(148,177)**	**(260,553)**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	910	2,032	13,263	16,205
As at 31 December 2021	**550,812**	**313,449**	**96,589**	**960,850**

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Mortgage loans				
ECL as at 1 January 2021	**(1,257)**	**(8,450)**	**(82,182)**	**(91,889)**
Changes affecting credit loss allowance charges for the period:				
New originated or purchased	(71,503)	-	-	(71,503)
Derecognition during the period	195	39	104,043	104,277
Transfers to Stage 1	(1,743)	446	1,297	-
Transfers to Stage 2	7,748	(47,194)	39,446	-
Transfers to Stage 3	72,871	-	(72,871)	-
Change in ECL as a result of transfers between Stages or changes in source data	(9,179)	9,540	5,594	5,955
Total changes affecting credit loss allowance charge for the period	**(1,611)**	**(37,169)**	**77,509**	**38,729**
Changes that do not affect credit loss allowance charges for the period:				
Positive and negative foreign exchange differences	(241)	(947)	(2,675)	(3,863)
As at 31 December 2021	**(3,109)**	**(46,566)**	**(7,348)**	**(57,023)**

The table below provides an analysis of credit risk for loans to customers measured at amortized cost, for which an allowance for expected credit losses has been recognized. In the table below, the carrying amount of loans to customers also reflects the Bank's maximum exposure to credit risk on these loans.

10 Loans to Customers (Continued)

The following is an analysis of the credit quality of loans to major customers measured at amortized cost as at 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to major customers				
A to AAA rated	20,405,933	-	-	20,405,933
B to BBB rated	4,905,954	175,379	-	5,081,333
Not rated	8,780	-	-	8,780
Gross carrying amount	**25,320,667**	**175,379**	-	**25,496,046**
Credit loss allowance	(149,757)	(1,078)	-	(150,835)
Carrying amount	**25,170,910**	**174,301**	-	**25,345,211**

Below is an analysis of the credit quality of loans issued to small and medium businesses, measured at amortized cost, as at 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to small and medium businesses				
A to AAA rated	11,195,012	-	-	11,195,012
B to BBB rated	20,536,030	299,775	-	20,835,805
C to CCC rated	35,063	8,045,734	11,118,504	19,199,301
D rated	-	-	304,071	304,071
Not rated	4,503,397	-	35,711	4,539,108
Gross carrying amount	**36,269,502**	**8,345,509**	**11,458,286**	**56,073,297**
Credit loss allowance	(687,244)	(487,612)	(5,994,748)	(7,169,604)
Carrying amount	**35,582,258**	**7,857,897**	**5,463,538**	**48,903,693**

10 Loans to Customers (Continued)

Below is an analysis of the credit quality of consumer loans measured at amortized cost as at 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer loans				
Not rated	217,661	5,706	16,493	239,860
Gross carrying amount	**217,661**	**5,706**	**16,493**	**239,860**
Credit loss allowance	(2,543)	(76)	(16,492)	(19,111)
Carrying amount	**215,118**	**5,630**	**1**	**220,749**

Below is an analysis of the credit quality of mortgage loans measured at amortized cost as at 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage loans				
Not rated	821,447	130,580	270,833	1,222,860
Gross carrying amount	**821,447**	**130,580**	**270,833**	**1,222,860**
Credit loss allowance	(9,846)	(439)	(180,616)	(190,901)
Carrying amount	**811,601**	**130,141**	**90,217**	**1,031,959**

Below is an analysis of the credit quality of loans to major customers, measured at amortized cost, as at 31 December 2021*:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to major customers				
A to AAA rated	-	1,027,453	-	1,027,453
B to BBB rated	3,632,155	2,680,009	-	6,312,164
C to CCC rated	-	-	7,808,583	7,808,583
Not rated		12,004		12,004
Gross carrying amount	**3,632,155**	**3,719,466**	**7,808,583**	**15,160,204**
Credit loss allowance	(25,502)	(29,662)	(1,400,315)	(1,455,479)
Carrying amount	**3,606,653**	**3,689,804**	**6,408,268**	**13,704,725**

*This disclosure was not presented in previous year's financial statements..

10 Loans to Customers (Continued)

Below is an analysis of the credit quality of loans to small and medium businesses, measured at amortized cost, as at 31 December 2021*:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to small and medium businesses				
A to AAA rated	7,606,026	-	-	7,606,026
B to BBB rated	24,507,626	5,159,520	-	29,667,146
C to CCC rated	13,153,855	1,257,363	9,066,444	23,477,662
D rated	-	-	4,572,377	4,572,377
Not rated	1,376,208	91,050	34,254	1,501,512
Gross carrying amount	**46,643,715**	**6,507,933**	**13,673,075**	**66,824,723**
Credit loss allowance	(389,189)	(252,027)	(5,126,652)	(5,767,868)
Carrying amount	**46,254,526**	**6,255,906**	**8,546,423**	**61,056,855**

*This disclosure was not presented in previous year's financial statements.

Below is an analysis of the credit quality of consumer loans measured at amortized cost as at 31 December 2021*:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer loans				
Not rated	60,313	7,706	143,332	211,351
Gross carrying amount	**60,313**	**7,706**	**143,332**	**211,351**
Credit loss allowance	(504)	(70)	(77,357)	(77,931)
Carrying amount	**59,809**	**7,636**	**65,975**	**133,420**

*This disclosure was not presented in previous year's financial statements.

Below is an analysis of the credit quality of mortgage loans measured at amortized cost as at 31 December 2021*:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL from SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Mortgage loans				
Not rated	550,812	313,449	96,589	960,850
Gross carrying amount	550,812	313,449	96,589	960,850
Credit loss allowance	(3,109)	(46,566)	(7,348)	(57,023)
Carrying amount	**547,703**	**266,883**	**89,241**	**903,827**

*This disclosure was not presented in previous year's financial statements.

10 Loans to Customers (Continued)

Modified and restructured loans. A bank derecognizes a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated so that in effect it becomes a new loan and the difference is recognized as a derecognition gain or loss before an impairment loss is recognized. On initial recognition, loans are treated as Stage 1 for ECL purposes unless the originated loan is considered an POCI asset.

If the modification does not result in a significant change in cash flows, the modification does not result in derecognition. Based on the change in cash flows, discounted at the original effective interest rate, the Bank recognizes a modification gain or loss before an impairment loss is recognized.

The table below shows the Stage 2 and Stage 3 assets that were renegotiated during the period and which are accounted for as restructured as a result, reflecting the corresponding effect of the modifications incurred by the Bank

In thousands of Kazakhstani Tenge	2022	2021
Gross value of loans to customers modified during the year	6,725,435	13,895,404
Amortized cost before modification	6,499,131	8,872,647
Net (loss)/gain on modification	497,694	(5,362)

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

The main types of collateral obtained are as follows:

- for commercial lending – charges over real estate properties, inventory and accounts receivable;
- for retail lending – charges over residential properties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for impairment.

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

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Loans to small and major customers*	-	6,408,268
Loans to small and medium businesses	3,236,310	8,546,423
Consumer loans	-	65,975
Mortgage loans	-	89,241
	3,236,310	**15,109,907**

*This amount was not presented in previous year's financial statements.

During the year, the Bank took possession of different assets in exchange of debts of respective borrowers. The Bank is in the process of selling of those assets. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Generally, the Bank does not occupy repossessed properties for business use. The carrying value of the assets repossessed during the period and held as at the reporting date is as follows:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Land	626,898	3,503,660
Buildings	123,362	787,222
Total repossessed collateral	**750,260**	**4,290,882**

10 Loans to Customers (Continued)

During 2022 and 2021 the Bank did not obtain any property by taking control of collateral for loans to customers.

Concentration of loans to customers. As at 31 December 2022, the Bank had ten major borrowers, which accounted for 62% (31 December 2021: 66%) of the total amount of loan to customers before allowance for expected credit losses. The total aggregate amount of these loans was 51,644,772 thousand Tenge (on 31 December 2021: 55,136,817 thousand Tenge).

Loans are primarily issued to clients in the Republic of Kazakhstan operating in the following sectors of the economy:

In thousands of Kazakhstani Tenge	**31 December 2022**	**31 December 2021**
Construction of commercial and residential property	18,622,265	21,737,678
Trade	13,767,628	14,881,161
Hotel and hospitality	9,608,396	10,004,937
Manufacturing	8,125,471	9,586,785
Leases	7,547,070	11,772,788
Construction of educational facilities	4,535,412	4,526,502
Individuals	1,462,720	1,172,201
Agriculture	1,361,033	1,188,800
Other	18,002,068	8,286,276
Total loans to customers before allowance for ECL	**83,032,063**	**83,167,128**

Loans to individuals are represented by consumer and mortgage lending.

11 Property and Equipment

The movements in property and equipment were as follows:

In thousands of Kazakhstani Tenge	Land	Buildings and constructions	Office and computer equipment	Vehicles	Other	Right-of-use assets	Total
Initial cost or revaluation							
As at 1 January 2021	754,369	9,577,490	27,977	1,525	258,646	558,205	11,178,212
Additions	-	-	70,122	-	31,502	331,856	433,480
Disposals		(46,319)	(10,929)		(23,945)	(162,324)	(243,517)
As at 31 December 2021	**754,369**	**9,531,171**	**87,170**	**1,525**	**266,203**	**727,737**	**11,368,175**
Additions	-	1,028,279	25,690	-	31,462	6,907	1,092,338
Disposals	-	(13,796)	(3,649)	-	(71,161)	(2,590)	(91,196)
Impact of revaluation	55,334	264,302	-	-	-	-	319,636
As at 31 December 2022	**809,703**	**10,809,956**	**109,211**	**1,525**	**226,504**	**732,054**	**12,688,953**
Accumulated depreciation							
As at 1 January 2021	-	(98,211)	(11,408)	-	(107,414)	(227,881)	(444,914)
Depreciation and impairment	-	(34,317)	(29,841)	-	(51,996)	(141,514)	(257,668)
Disposals	-	46,319	10,929	-	16,660	142,524	216,432
As at 31 December 2021	-	**(86,209)**	**(30,320)**	-	**(142,750)**	**(226,871)**	**(486,150)**
Depreciation and impairment	-	(34,317)	(37,164)	-	(49,355)	(138,036)	(258,872)
Disposals	-	13,796	3,649	-	71,161	-	88,606
As at 31 December 2022	-	**(106,730)**	**(63,835)**	-	**(120,944)**	**(364,907)**	**(656,416)**
Net book value							
As at 31 December 2020	754,369	9,479,279	16,569	1,525	151,232	330,324	10,733,298
As at 31 December 2021	754,369	9,444,962	56,850	1,525	123,453	500,866	10,882,025
As at 31 December 2022	**809,703**	**10,703,226**	**45,376**	**1,525**	**105,560**	**367,147**	**12,032,537**

Fair value of land and buildings is estimated based on the similar objects offered on the market. See Note 26 for more details with respect to fair value of lands and buildings.

If the land and buildings were accounted for at historical cost less impairment and accumulated depreciation for buildings, their carrying amount as at 31 December 2022 would be 45,080 thousand Tenge and 10,141,907 thousand Tenge, respectively (as at 31 December 2021: 45,080 thousand Tenge and 9,118,504 thousand Tenge, respectively).

As at 31 December 2022 the cost of fully amortized property and equipment, including office and computer equipment, vehicles and other fixed assets that are in use by the Bank amounted to 25,484 thousand Tenge (on 31 December 2021: 110,332 thousand Tenge).

12 Investments

As at 31 December 2022 and 2021, Investments include the follows:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Investments in subsidiaries	547,378	547,378
KASE shares	7,001	7,001
Total equity instruments	**554,379**	**554,379**

12 Investments (Continued)

As at 31 December 2021, the Bank had the following subsidiaries, which were accounted for at cost:

In thousands of Kazakhstani Tenge	31 December 2022		31 December 2021	
	Ownership share, %	Book value	Ownership share, %	Book value
Stressed Assets Management Organization of Kazakhstan-Ziraat International - 1 LLP	100.00	204,277	100.00	204,277
Stressed Assets Management Organization of Kazakhstan Ziraat International – 2 LLP	100.00	343,101	100.00	343,101
Total investments in subsidiaries		**547,378**		**547,378**

On 24 January 2020, the Bank transferred assets in the amount of 204,277 thousand Tenge to a subsidiary Stressed Assets Management Organization of Kazakhstan-Ziraat International - 1 LLP (SAMO of KZI-1 LLP) as a contribution to the charter capital.

In 2020, the Bank established Stressed Assets Management Organization of Kazakhstan-Ziraat International-2 LLP (SAMO of KZI-2 LLP) based on the Agency's Decision No. 100 of 19 October 2020. On 8 December 2020, the Bank transferred assets in the amount of 343,101 thousand Tenge to a subsidiary of SAMO of KZI-2 LLP as a contribution to the charter capital.

13 Other Assets

As at 31 December 2022 and 2021, other assets comprise of the following:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Restricted funds in the KASE accounts	2,457,455	272,008
Other debtors on banking activities	732,552	285,753
Fees and commissions receivable	28,114	25,403
	3,218,121	**583,164**
Less allowance for ECL	(268,913)	(250,937)
Other financial assets	**2,949,208**	**332,227**
Repossessed collateral	750,260	4,290,882
Other prepayments on non-banking activities	564,228	1,018,777
Assets not used in banking activities	379,619	379,616
Prepaid taxes other than CIT	4,184	129,606
Other	303,402	147,820
Other non-financial assets	**2,001,693**	**5,966,701**
Other assets	**4,950,901**	**6,298,928**

As of 31 December 2022 and 2021, repossessed collateral represents real estate received by the Bank in the course of settling borrowers' obligations to repay loans. Repossessed collateral is valued at the lower of cost and net realizable value. Despite the fact that the Bank is currently actively pursuing the sale of these assets, most of them were not realized within a short period of time. Management remains committed to realizing these assets in the foreseeable future.

In 2022 and 2021, the Bank did not transfer property to subsidiaries.

13 Other Assets (Continued)

Below is an analysis of changes in ECL allowances for other financial assets for the year ended 31 December 2022:

In thousands of Kazakhstani Tenge	ECL
As at 31 December 2020	-
Charge for the year	(252,065)
Write offs	1,128
As at 31 December 2021	**(250,937)**
Charge for the year	(25,586)
Write offs	-
Foreign exchange difference	7,610
As at 31 December 2022	**(268,913)**

An analysis of changes in ECL provisions by Stages of the expected credit loss model is presented in Note 20.

14 Due to Credit Institutions

As at 31 December 2022 and 2021, due to credit institutions comprise of the following:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
DAMU Entrepreneurship Development Fund JSC	5,108,357	5,102,162
Due to credit institutions	**5,108,357**	**5,102,162**

On 13 October 2020, the Bank signed a loan agreement with DAMU Entrepreneurship Development Fund JSC as part of the Damu Regions III Regional Priority Project Financing Program for Small and Medium-Sized Businesses. The loan agreement was concluded for the amount of 5 billion Tenge, for a period of 7 years. The interest rate on the loan is 8.5%. As at 31 December 2022, the Bank received 7 tranches under the loan agreement for a total amount of Tenge 5,000,000 thousand. In 2022, the Bank breached the covenant on downgrading the credit rating below 'B'. The downgrade of the Bank's rating is in line with a similar rating action on the Issuer Default Rating (IDR) in foreign currency of the Bank's parent company, Turkiye Cumhuriyeti Ziraat Bankasi A.S. In September 2022, the Bank received a waiver letter from DAMU Entrepreneurship Development Fund JSC, according to which the Fund waived the Bank from early return of funds in relation to breach of this covenant.

An analysis of the liquidity of funds due to credit institutions is presented in Note 25.

15 Customer Accounts

As at 31 December 2022 and 2021, customer accounts comprise:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Current accounts	59,445,584	46,028,208
Time deposits	43,821,220	44,704,263
Customer accounts	**103,266,804**	**90,732,471**
Held as security against guarantees (Note 24)	**1,193,226**	**471,025**

15 Customer Accounts (Continued)

As at 31 December 2022, the Bank had ten major clients, which accounted for 40% of the gross balance of current accounts and deposits of clients (31 December 2021: 57%). The aggregate balance of amounts due to such customers as at 31 December 2022 was 41,762,877 thousand Tenge (31 December 2021: 51,689,145 thousand Tenge).

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Time deposits		
Legal entities	31,134,668	34,447,176
Individuals	10,074,132	7,785,921
State and public organizations	2,612,420	2,471,166
Current accounts		
Legal entities	49,804,725	40,495,460
Individuals	8,477,989	5,131,330
State and public organizations	1,162,870	401,418
Customer accounts	**103,266,804**	**90,732,471**

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to its maturity, interest is not paid or paid at considerably at lower interest rate depending on the terms specified in the agreement.

On 24 February 2022, the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan published a joint statement on the Tenge Deposit Protection Program, which provides for the payment of compensation (premium) on deposits of individuals in the amount of 10%. This decision was made against the backdrop of increased geopolitical risks and volatility in financial markets.

Tenge deposits that meet the terms of the program were eligible for the Tenge Deposit Protection Program. These deposits could have been opened in one or more banks participating in the deposit insurance system as of the end of the day on 23 February 2022. A prerequisite for the payment of compensation was the preservation of the deposit in the bank from 23 February 2022 until 24 February 2023, that is, at least 12 months.

As of the date of this report, the Bank has received the amounts of the above compensation and credited it to the bank accounts of its customers.

Below is the distribution of customer funds by category:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Legal entities:		
Construction	24,640,110	28,264,979
Trade and services	21,410,413	17,652,766
Manufacturing	11,577,001	16,318,785
Professional services	10,539,970	5,035,039
Transport and communications	5,255,509	4,830,648
Mining of metal ores	4,890,037	2,040,691
Other	6,401,643	3,672,312
Individuals	18,552,121	12,917,251
Customer accounts	**103,266,804**	**90,732,471**

16 Lease Liabilities

The Bank recognized the following lease liabilities:

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Short-term lease liabilities	185,972	181,810
Long-term lease liabilities	217,133	352,959
Total lease liabilities	**403,105**	**534,769**

16 Lease Liabilities (Continued)

Interest expense included in finance costs in 2022 amounted to KZT 40,393 thousand. (2021: 41,208 thousand Tenge).

Lease agreements do not contain any covenants other than securing the performance of obligations on the leased assets owned by the lessor. The leased assets cannot be used as collateral for loans and borrowings.

17 Other Liabilities

As at 31 December 2022 and 2021, other liabilities comprise of the following items:

In thousands of Kazakhstani Tenge	Note	31 December 2022	31 December 2021
Obligations for documentary settlements		113,292	39,795
Advance interest payments on loans issued		49,203	30,358
Other accounts payable		-	-
Other financial liabilities		**162,495**	**70,153**
Taxes payable other than corporate income tax		73,282	57,023
Accrued expenses for unused vacations		44,202	38,466
Reserve for losses on contingent liabilities	24	125,495	20,400
Other liabilities		73,260	14,132
Other non-financial liabilities		**316,239**	**130,021**
Other liabilities		**478,734**	**200,174**

18 Equity

Share capital. As at 31 December 2022, the total number of authorized, issued and fully paid ordinary shares of the Bank is 48,500,000 shares (31 December 2021: 15,000,000 shares). The cost of placement of shares was 1,000 Tenge per ordinary share. Shareholders are entitled to receive dividends and distribution of capital in Tenge.

In 2022 and 2021, the Bank did not declare or pay dividends.

Nature and purpose of other reserves

Reserve funds. As at 31 December 2022, the Bank had a general bank reserve for unforeseen expenses and future losses in the amount of 1,177.,75 thousand Tenge (as at 31 December 2021: 1,177,175 thousand Tenge, respectively). The funds from the general banking reserve could be allocated only upon the Bank's shareholders' official authorisation.

Property and equipment revaluation reserve. The revaluation reserve for property and equipment is used to record increases in the fair value of land and buildings owned by the Bank and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

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

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

In thousands of Kazakhstani Tenge	2022	2021
Net (loss)/profit for the year attributable to the shareholders of the Bank	(10,652,467)	2,739,315
Weighted average number of common shares for basic and diluted earnings per share computation	29,854,795	15,000,000
(Basic and diluted loss)/ basic and diluted earnings per share (in Tenge)	**(356.81)**	**182.62**

As at 31 December 2022 and 2021, the Bank did not have any financial instruments diluting earnings per share.

19 Interest Income and Interest Expense

Net interest income comprises the following:

In thousands of Kazakhstani Tenge	2022	2021
Interest income calculated using the effective interest method		
Loans to clients	8,546,770	7,124,342
Due from other banks	3,377,342	946,745
Accounts receivable under reverse repurchase agreements	66,068	333,344
Total interest income calculated using the effective interest rate	**11,990,180**	**8,404,431**
Other interest income	-	-
Interest income	**11,990,180**	**8,404,431**
Interest expense		
Customer accounts	(2,058,860)	(1,918,162)
Due to credit institutions	(731,304)	(265,456)
Lease liabilities	(40,393)	(41,208)
Total interest expense	**(2,830,557)**	**(2,224,826)**
Net interest income	**9,159,623**	**6,179,605**

20 Expected Credit Losses Expenses

The table below shows the ECL expenses on financial instruments recorded in the separate statement of comprehensive income during the year ended 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	(3,263)	-	-	(3,263)
Due from other banks	2,969	-	-	2,969
Loans to customers measured at amortized cost	(428,699)	(154,398)	(20,648,438)	(21,231,535)
Other financial assets	-	-	(25,586)	(25,586)
Financial guarantees	(104,604)	-	-	(104,604)
Total expected credit losses expense	**(533,597)**	**(154,398)**	**(20,674,024)**	**(21,362,019)**

The table below shows the ECL expenses on financial instruments recorded in the separate statement of comprehensive income during the year ended 31 December 2021:

In thousands of Kazakhstani Tenge	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	858	-	-	858
Due from other banks	(1,495)	-	-	(1,495)
Loans to customers measured at amortized cost	(137,651)	41,946	(1,961,855)	(2,057,560)
Other financial assets	(757)	-	(251,308)	(252,065)
Financial guarantees	(1,060)	-	-	(1,060)
Total expected credit losses expense	**(140,105)**	**41,946**	**(2,213,163)**	**(2,311,322)**

21 Comission Income and Comission Expense

Net fee and commission income comprises of:

In thousands of Kazakhstani Tenge	2022	2021
Settlement operations	642,817	481,783
Issuance of guarantees and letters of credit	316,156	265,064
Cash transactions	215,280	177,440
Bank account services	46,732	35,941
Safe Operations	6,292	5,540
Payment cards	335	
Othor	30,312	24,119
Fee and commission income	**1,257,924**	**989,887**
Settlement operations	(148,405)	(82,224)
Guarantees	(49,871)	
Commission expenses for payment systems	-	(57,227)
Other	(87,023)	(27,930)
Fee and commission expense	**(285,299)**	**(167,381)**
Net fee and commission income	**972,625**	**822,506**

22 Administrative and Other Operating Expenses

Administrative and other operating expenses comprise of:

In thousands of Kazakhstani Tenge	Note	2022	2021
Salary and bonuses		954,427	759,314
Taxes other than corporate income tax		393,465	285,818
Depreciation of fixed assets	11	258,871	257,668
Building renovation costs		-	197,281
Software technical support		255,914	196,304
Professional Services		193,002	110,194
Social security contributions		99,360	74,977
Amortization of intangible assets		85,012	72,555
Security services		80,481	69,474
Communication and information services		52,779	47,050
Deposit insurance		80,263	42,564
Building maintenance		85,184	38,817
Membership fee		18,671	19,250
Office supplies		7,981	17,708
Travel expenses		29,090	11,375
Insurance		12,349	11,241
Encashment		8,574	8,100
Transport		7,556	5,492
Advertising and marketing		12,300	2,717
Medical products		160	1,767
Other		127,930	31,584
Total administrative and other operating expenses		**2,763,369**	**2,261,250**

23 Income Taxes

The corporate income tax expense (CIT) comprises:

In thousands of Kazakhstani Tenge	2022	2021
Current corporate income tax expense	-	843,393
Deferred corporate income tax economy – origination and reversal of temporary differences	(15,921)	(14,985)
(Economy)/Corporate income tax expenses	**(15,921)**	**828,408**

The Bank's income is taxed only in the Republic of Kazakhstan. In accordance with tax laws, the applicable corporate income tax rate for 2022 and 2021 is 20%.

The reconciliation between the corporate income tax expense recognized in these separate financial statements and profit before corporate income tax expense multiplied by the statutory tax rate for 2022 and 2021 is as follows:

In thousands of Kazakhstani Tenge	2022	2021
(Loss)/Profit before corporate income tax expense	**(10,668,389)**	**3,567,723**
Statutory tax rate	20%	20%
Theoretical (economy)/corporate income tax expense calculated at the statutory rate	(2,133,678)	713,545
Non-deductible administrative and other operating expenses	40,230	17,495
Changes in non-deductible/non-taxable allowance for tax purposes	5,625	7,361
Unrecognized tax loss carry forwards	2,045,177	-
Other permanent differences	26,725	90,007
(Economy)/corporate income tax expenses	**(15,921)**	**828,408**

Deferred CIT assets and liabilities as of 31 December 2022 and their movements for the respective years comprise:

In thousands of Kazakhstani Tenge	31 December 2020	Origination and decrease of temporary difference in other comprehensive income	31 December 2021	Origination and decrease of temporary difference in profit and loss	Origination and decrease of temporary difference in other comprehensive income	31 December 2022
Tax effect of deductible temporary differences						
Tax losses carried forward	-	-	-	2,045,177	-	2,045,177
Deferred CIT assets	**-**	**-**	**-**	**2,045,177**	**-**	**2,045,177**
Provision for tax losses carried forward	-	-	-	(2,045,177)	-	(2,045,177)
Recognized deferred CIT assets	**-**	**-**	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences						
Property and equipment and intangible assets	(167,926)	13,604	(154,322)	43,608	(63,927)	(174,641)
Others	(13,917)	1,381	(12,536)	(27,687)	-	(40,223)
Deferred CIT liabilities	**(181,843)**	**14,985**	**(166,858)**	**15,921**	**(63,927)**	**(214,864)**
Net deferred CIT asset/(liability)	**(181,843)**	**14,985**	**(166,858)**	**15,921**	**(63,927)**	**(214,864)**

24 Commitments and Contingencies

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

The volatility of crude oil prices and Tenge's exchange rate against major foreign currencies continue to have a negative impact on the Kazakhstan economy. Interest rates of attracted financing in Tenge remain high. Combination of these factors resulted in a limited access to capital, high cost of capital, high inflation rate and uncertainty regarding further economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

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

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

Tax contingencies. Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstani laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Bank believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Bank has accrued tax provisions based on management's best estimate. The Bank's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued on 31 December 2022. Although such amounts are possible and may be material, it is the opinion of the Bank's management that these amounts are either not probable, not reasonably determinable, or both.

Commitments and contingencies. At 31 December the Bank's commitments and contingencies comprised the following:

In thousands of Kazakhstani Tenge	Note	2022	2021
Credit related commitments			
Guarantees		32,921,544	13,352,831
Undrawn loan facilities		20,446,145	16,667,687
Letters of credit		267,638	89,062
Total credit related commitments		**53,635,327**	**30,109,580**
ECL allowance on credit related commitments	17	(125,495)	(20,400)
Amounts due to customers held as security against guarantees	14	(1,193,226)	(471,025)
Total credit related commitments, net of allowance and net of cash collateral		**52,316,606**	**29,618,155**

24 Commitments and Contingencies (Continued)

Credit related commitments. Loan commitments are contractual commitments under which, during the life of the commitment, the Bank is required to provide a customer with a loan on pre-agreed terms. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and borrowings. Documentary and trade letters of credit, which are written undertakings by the Bank to make payments on behalf of customers up to a specified amount, subject to certain conditions, are backed by related deliveries of goods or cash deposits and are therefore less risky than direct borrowing. Commitments to provide loans provide for the Bank's right to unilaterally withdraw from the agreement in the event of any unfavorable conditions. Therefore, no ECL allowance was recognized for loan commitments for the year ended 31 December 2022 and 2021.

Commitments to extend credit include the unused portion of amounts approved by management to extend credit in the form of loans, guarantees or letters of credit. With respect to commitments to extend credit, the probability of losses is less than the total amount of unused commitments, as commitments to extend loans depend on customer compliance with certain credit requirements.

The Bank controls the time remaining to maturity of credit related commitments, as longer-term commitments generally carry a higher level of credit risk than short-term commitments. The Bank annually reviews the provided credit limits in order to review the period of availability for obtaining credit funds/obligations. In the event of a deterioration in creditworthiness, the availability period is not updated.

The table below provides an analysis of the credit quality of credit related commitments based on credit risk levels as at 31 December 2022 and 31 December 2021

	Stage 1 (12-months ECL)	
In thousands of Kazakhstani Tenge	**31 December 2022**	**31 December 2021**
Guarantees and letters of credit		
- Superior level	12,159,428	5,645,156
- Good level	10,540,633	2,327,017
- Satisfactory level	995,065	192,155
- Requires special monitoring	9,494,056	5,277,565
Unrecognized gross value	**33,189,182**	**13,441,893**
Provision for guarantees and letters of credit	**(125,495)**	**(20,400)**
Loan commitments		
- Superior level	7,917,835	4,233,349
- Good level	10,893,943	10,445,365
- Satisfactory level	1,207,179	1,957,758
- Requires special monitoring	427,188	31,215
Unrecognized gross value	**20,446,145**	**16,667,687**
Provision for loan commitments	**-**	**-**

Refer to Note 25 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

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

24 Commitments and Contingencies (Continued)

Below is an analysis of changes in allowance for ECL for the year ended 31 December 2022 and 2021:

In thousands of Kazakhstani Tenge	Stage 1	Total
Allowance for ECL as at 1 January 2020	(19,253)	(19,253)
Change in ECL	(1,060)	(1,060)
Foreign exchange differences	(87)	(87)
Allowance for ECL as at 31 December 2021	**(20,400)**	**(20,400)**
Change in ECL	(104,604)	(104,604)
Foreign exchange differences	(491)	(491)
Allowance for ECL as at 31 December 2022	**(125,495)**	**(125,495)**

25 Risk Management

Introduction. Risk is inherent in the Bank's activities. The Bank manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is subdivided into risk associated with trading operations and risk associated with non-trading activities. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management process comprises identification, measuring, control and limitation of risks that are carried out by the Bank on a regular basis.

Risk management structure. The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

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

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

Risk Management Committee of the Board of Directors. The Risk Management Committee of the Board of Directors assists the Board of Directors of the Bank by developing recommendations on risk management and internal control issues in order to ensure their reliability and efficiency.

Risk management. The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

The main purpose of the unit is generating and functioning of the Bank's effective risk management system providing application of methods of risk detection and control, ensuring effective determination, evaluation and limitation of the Bank's risks considering the type and scope of transactions conducted by the Bank. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

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

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

25 Risk Management (Continued)

Risk measurement and reporting systems. The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, Management Board, Asset and Liability Management Committee, Credit Committee, and the head of each business unit. The report includes aggregate credit exposure, forecast credit indicators, hold limit exceptions, liquidity ratios, interest rate risk ratios and risk profile changes.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A regular meeting is held with the Management Board and all other relevant departments of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation. The Bank actively uses collateral to reduce its credit risks (see below for more detail).

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

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

Credit risk. The Bank is exposed to credit risk, which is the risk that one party to a transaction in a financial instrument will cause a financial loss to the other party by defaulting on an obligation under a contract.

Credit risk arises from the Bank's lending and other transactions with counterparties, which give rise to financial assets and credit related commitments.

The Bank's maximum exposure to credit risk is reflected in the carrying amount of financial assets in the consolidated statement of financial position. For issued financial guarantees, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single most significant risk to the Bank's business. Consequently, management pays special attention to credit risk management

Assessing credit risk for risk management purposes is complex and requires the use of models as risk changes with market conditions, expected cash flows and over time. Assessing the credit risk of a portfolio of assets requires additional assessments of the probability of a default occurring, the associated loss ratios, and the correlation of defaults across counterparties

Limits. The Bank controls credit risk by setting limits on a single borrower or a group of related borrowers, as well as by setting limits by geographic and industry segments. Credit risk limits by product and industry are regularly approved by management. Such risks are monitored regularly, and the limits are reviewed at least once a year.

Credit risk classification system. In order to assess credit risk and classify financial instruments by credit risk level, the Bank uses two approaches: an internal risk-based rating system or assessment of risk levels by external international rating agencies (Standard & Poor's (S&P), Fitch, Moody's).

.25 Risk Management (Continued)

Company Score System (FDS) - a system used to determine the creditworthiness of borrowers.

The following table summarizes the credit ratings used in the FDS:

Credit rating	Explanation of Credit Rating
AAA	Along with being an extremely positive company, starting from financial and non-financial criteria, it can continue to have a long-term high creditworthiness.
AA	Along with being a positive company, starting from financial and non-financial criteria, may continue long-term creditworthiness
A	A company with high creditworthiness, owning high short-term creditworthiness and providing optimization starting from financial and non-financial criteria
BBB	A company expected to have a long-term creditworthiness, which has ensured the optimization of the creditworthiness of an important part of the financial and non-financial criteria
BB	A company that needs to be assessed, within the criteria of the Medium-long-term Risk Analysis, that has a short-term creditworthiness, along with a failure to optimize creditworthiness in one part of the financial and / or non-financial criteria
B	A company whose credit profile is subject to maturity review may need to be assessed under the Risk Analysis criteria, while failing to achieve credit optimization in an important part of the financial and/or non-financial criteria. Must be valued with guarantee.
CCC	An important part of financial and/or non-financial criteria is negative. A company that has short-term creditworthiness and requires a guarantee market valuation, along with the fact that there may be difficulties in fulfilling obligations.
CC	In terms of financial and/or non-financial criteria can be agreed, remains below the risk boundaries. Lending is provided only by committees of the structure of the Board of Directors or by the Credit Committee-1 of the General Directorate.
C	In terms of financial and/or non-financial criteria can be agreed, remains below the risk boundaries. Lending is provided only by committees of the structure of the Board of Directors
D	In terms of financial and/or non-financial criteria can be agreed, remains below the risk boundaries. Lending is provided only by committees of the structure of the Board of Directors

(*) Cash loans or cash equivalents cannot be considered under this table.
(**) Companies ranked in the same group receive a parent company credit rating.

The rating models are regularly reviewed by the Credit Risk Department, back-tested based on actual default data, and updated as necessary. Regardless of the method used, the Bank regularly confirms the accuracy of the ratings, calculates and evaluates the predictive abilities of models.

External ratings are assigned to counterparties by independent international rating agencies such as S&P, Moody's and Fitch. These rankings are publicly available. Such ratings and corresponding ranges of default probabilities apply to interbank deposits and correspondent accounts.

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

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

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

25 Risk Management (Continued)

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9 and Note 23.

Treasury and interbank relationships. The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker dealers, exchanges and clearinghouses. To assess such relationships the Bank analyses publicly available information, such as separate financial statements, and data from other external sources, such as external ratings

Commercial and small business lending. In case of commercial lending, the department of credit risks performs an assessment of borrowers. The credit risk assessment is based on a calculation model that takes into account various historical, current and forward looking information such as:

- historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance;
- any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles;
- any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some less difficult loans to small businesses are rated by the Bank using models for retail products.

Consumer lending and mortgage lending. Consumer lending includes secured and unsecured loans to individuals. The evaluation of these products together with mortgage loans is carried out using various criteria, the main indicator for which is the number of days overdue. Other basic initial data used in the models are the following: the facts of write-offs on payment requirements-orders from other banks and government agencies, a decrease in the market value of collateral based on the results of revaluation, the presence of default on other financial assets of the same borrower, as well as the ratio of the loan amount to the cost of collateral.

The amount at risk of default. The amount at risk of default (EAD) is the gross carrying amount of financial instruments subject to impairment assessment and reflects both the client's ability to increase its debt when approaching default and the possibility of early repayment. To calculate the EAD for Stage 1 loans, the Bank estimates the probability of default within 12 months to estimate the 12-month ECL. For Stage 2, Stage 3 and POCI financial assets, the EAD indicator is considered for events that may occur throughout the life of the instrument.

The level of losses in default. In case of commercial lending, LGD values are assessed at least quarterly and reviewed and approved by the Bank's Budgeting, Performance Analysis and Risk Management Department.

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics, as well as borrower characteristics.

Significant increase in credit risk. The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk if contractual payments are more than 30 days past due since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, transfer of a client/loan to the watch list or restructuring due to credit event.

25 Risk Management (Continued)

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis. Dependent on the factors below, the Bank calculates ECLs either on a collective or on an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- all Stage 3 assets, regardless of the class of financial assets;
- financial assets with gross amount exceeding 0.2% of total equity

Asset classes where the Bank calculates ECL on a collective basis include:

- stage 1 and 2 retail mortgages and consumer lending and Stage 1 and 2 commercial lending portfolio;
- financial assets with gross amount exceeding 0.2% of total equity.

Forward-looking information and multiple economic scenarios. In it's ECLs calculation models the Bank uses as economic inputs:

- GDP growth;
- growth in nominal cash income;
- unemployment rate;
- inflation;
- nominal prices in the housing market.

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

25 Risk Management (Continued)

The Bank obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. central banks, and international financial institutions). Experts of the Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario as at 31 December 2022.

Key drivers	ECL scenario	Assigned probabilities, %	2022	2023	2024	Subsequent years
GDP growth, %						
	Upside	10%	6.00%	6.08%	6.15%	6.10%
	Base case	70%	4.00%	4.05%	4.10%	4.07%
	Downside	20%	2.00%	2.03%	2.05%	2.03%
Growth in nominal cash income, %						
	Upside	10%	12.96%	9.72%	7.56%	6.60%
	Base case	70%	14.15%	10.88%	8.25%	6.30%
	Downside	20%	10.56%	7.92%	6.16%	6.55%
Unemployment rate, %						
	Upside	10%	4.80%	4.80%	4.80%	4.80%
	Base case	70%	4.90%	4.90%	4.90%	4.90%
	Downside	20%	6.00%	6.00%	6.00%	6.00%
Inflation, %						
	Upside	10%	10.80%	8.10%	6.30%	6.00%
	Base case	70%	12.00%	9.00%	7.00%	7.00%
	Downside	20%	13.20%	9.90%	7.70%	9.35%
Nominal prices in the housing market, Tenge thousand/sq.m.						
	Upside	10%	561.24	606.70	644.92	691.35
	Base case	70%	536.93	561.09	580.73	621.38
	Downside	20%	539.97	566.70	588.51	624.75

Below is the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2022:

In thousands of Kazakhstani Tenge	Kazakhstan	OECD countries	Non-OECD countries	Total
Assets				
Cash and cash equivalents	68,046,330	4,991,929	569,887	73,608,146
Due from other banks	-	-	1,209,370	1,209,370
Investments	554,379	-	-	554,379
Loans to customers	70,123,337	5,378,275	-	75,501,612
Other financial assets	2,949,208	-	-	2,949,208
Total moneraty assets	**141,673,254**	**10,370,204**	**1,779,257**	**153,822,715**
Liabilities				
Due to credit institutions	5,108,357	-	-	5,108,357
Customer accounts	99,356,240	3,672,378	238,186	103,266,804
Lease liabilities	403,105	-	-	403,105
Other financial liabilities	162,495	-	-	162,495
Total monetary liabilities	**105,030,197**	**3,672,378**	**238,186**	**108,940,761**

25 Risk Management (Continued)

Below is the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2021:

In thousands of Kazakhstani Tenge	Kazakhstan	OECD countries	Non-OECD countries	Total
Assets				
Cash and cash equivalents	31,243,716	6,044,355	457,352	37,745,423
Due from other banks	-	-	1,076,701	1,076,701
Investments	554,379	-	-	554,379
Loans to customers	61,519,423	12,061,332	2,218,072	75,798,827
Other financial assets	332,227	-	-	332,227
Total moneraty assets	**93,649,745**	**18,105,687**	**3,752,125**	**115,507,557**
Liabilities				
Due to credit institutions	5,102,162	-	-	5,102,162
Customer accounts	87,871,278	2,766,502	94,691	90,732,471
Lease liabilities	534,769	-	-	534,769
Other financial liabilities	70,153	-	-	70,153
Total monetary liabilities	**93,578,362**	**2,766,502**	**94,691**	**96,439,555**

Liquidity risk and funding management. Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its core deposit base. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

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

The Bank is obliged to comply with liquidity requirements established by the regulators including requirements of the NBRK represented by obligatory norms. The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank has also entered into credit line agreements which it can draw upon to meet its cash needs.

Analysis of financial liabilities by terms remaining to maturity. The table below shows the Bank's financial liabilities as at 31 December, by maturity, based on contractual undiscounted repayment obligations. Obligations that are redeemable on demand are treated as if the demand for redemption had been made on the earliest possible date. However, the Bank expects that many customers will not request repayment at the earliest date on which the Bank would be required to make the respective payment and, accordingly, the table does not reflect the expected cash flows calculated by the Bank based on historical demand information.

In thousands of Kazakhstani Tenge	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2022						
Financial liabilities						
Due to credit institutions	-	42,500	1,381,292	5,108,315	-	6,532,107
Customer accounts	57,051,978	2,478,692	42,724,933	2,072,645	41,749	104,369,997
Lease liabilities	-	45,287	130,102	236,143	55,476	467,008
Other financial liabilities	49,203	28,757	14,835	69,694	6	162,495
Total undiscounted financial liabilities	**57,101,181**	**2,595,236**	**44,251,162**	**7,486,797**	**97,231**	**111,531,607**

25 Risk Management (Continued)

In thousands of Kazakhstani Tenge	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2021						
Financial liabilities						
Due to credit institutions	-	42,500	372,417	3,818,554	2,713,554	6,947,025
Customer accounts	45,556,220	3,963,934	40,651,211	2,746,230	204,604	93,122,199
Lease liabilities	-	45,287	136,074	387,254	79,753	648,368
Other financial liabilities	40,803	3,362	8,586	14,978	2,424	70,153
Total undiscounted financial liabilities	**45,597,023**	**4,055,083**	**41,168,288**	**6,967,016**	**3,000,335**	**100,787,745**

Although the analysis of liabilities by maturity shows a significant portion of customer funds in the "demand and less than 1 month" category, the repayment of these funds has historically occurred over a longer period than indicated in this table. These deposits form a reliable and long-term source of financing. During 2022, there were no significant outflows of customer funds and the Bank's management does not expect such outflows in the near future.

The Bank does not use the above undiscounted maturity analysis of liabilities for liquidity management. Instead, the Bank controls expected maturities and expected liquidity gap, which are presented in the table below:

The table below provides an analysis of financial instruments by expected maturity as at 31 December 2022:

In thousands of Kazakhstani Tenge	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	45,743,211	27,864,935	-	-	-	73,608,146
Due from other banks	1,209,370	-	-	-	-	1,209,370
Loans to customers	1,508,289	17,610,094	19,014,172	32,328,801	5,040,256	75,501,612
Investments	-	-	-	-	554,379	554,379
Other financial assets	-	-	2,949,208	-	-	2,949,208
Total	**48,460,870**	**45,475,029**	**21,963,380**	**32,328,801**	**5,594,635**	**153,822,715**
Liabilities						
Customer accounts	28,937,167	33,886,389	22,063,394	18,340,949	38,905	103,266,804
Due to credit institutions	-	108,357	1,000,000	4,000,000	-	5,108,357
Lease liabilities	14,797	92,995	78,180	188,968	28,165	403,105
Other financial liabilities	9,934	13,773	87,411	51,371	6	162,495
Total potential future payments for financial obligations	**28,961,898**	**34,101,514**	**23,228,985**	**22,581,288**	**67,076**	**108,940,761**
Liquidity gap arising from financial instruments	**19,498,972**	**11,373,515**	**(1,265,605)**	**9,747,513**	**5,527,559**	**44,881,954**

Liquidity requirements for payments under guarantees and letters of credit are significantly lower than the amount of the corresponding commitments presented in the maturity analysis above, as the Bank does not normally expect these commitments to be called upon by third parties. The total amount of contractual loan commitments included in the table above does not necessarily represent the amount of cash that will be required in the future, as many of these commitments may not be called or terminated before they expire.

25 Risk Management (Continued)

The table below provides an analysis of financial instruments by maturity as at 31 December 2021:

In thousands of Kazakhstani Tenge	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	22,712,836	15,032,587	-	-	-	37,745,423
Due from other banks				1,076,701		1,076,701
Loans to customers	4,690,563	5,002,150	11,878,298	37,812,266	16,415,550	75,798,827
Investments	-	-	-	-	554,379	554,379
Other financial assets	-	-	332,227	-	-	332,227
Total	**27,403,399**	**20,034,737**	**12,210,525**	**38,888,967**	**16,969,929**	**115,507,557**
Liabilities						
Customer accounts	46,703,306	23,958,471	19,791,933	88,712	190,049	90,732,471
Due to credit institutions	-	-	-	5,102,162	-	5,102,162
Lease liabilities	14,875	82,796	84,139	312,284	40,675	534,769
Other financial liabilities	40,803	3,362	8,586	14,978	2,424	70,153
Total potential future payments for financial obligations	**46,758,984**	**24,044,629**	**19,884,658**	**5,518,136**	**233,148**	**96,439,555**
Liquidity gap arising from financial instruments	**(19,355,585)**	**(4,009,892)**	**(7,674,133)**	**33,370,831**	**16,736,781**	**19,068,002**

The analysis of maturity differences does not reflect the historical stability of current account funds, which have traditionally been repaid over a longer period than indicated in the tables above. These balances are included in the tables in amounts payable on demand.

The table below shows the contractual terms of the Bank's contingent and contractual credit related commitments. In this table, the Bank has disclosed the contractual duration of contingent and contractual credit related commitments based on the date of completion of such contracts.

In thousands of Kazakhstani Tenge	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
2022	4,529,895	9,594,920	39,418,710	91,802	**53,635,327**
2021	307,007	6,087,219	16,531,602	7,183,752	**30,109,580**

If the term of contingent and contractual obligations is presented at the earliest date on which the client can demand performance of the obligation, all of the above obligations will be presented in the "less than 3 months" category.

The Bank expects that not all contractual commitments of a credit nature will need to be settled before their expiry date.

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. With the exception of currency positions, the Bank does not have significant concentrations of market risk.

Change in interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank has no floating rate non-trading financial assets and financial liabilities as at 31 December 2022 and 2021.

Currency risk. Currency risk - the risk of losses associated with changes in foreign exchange rates in the course of the Bank's activities. The risk of loss arises from the revaluation of the Bank's positions in currencies in value terms. The Bank's management sets limits on the level of risk taken by currency and monitors their compliance on a daily basis.

25 Risk Management (Continued)

The following table sets out the currencies in which the Bank has significant positions as at 31 December in monetary assets and liabilities and projected cash flows. The analysis performed consists in calculating the impact of a possible change in exchange rates against the Tenge on a separate statement of comprehensive income (due to the presence of certain monetary assets and liabilities, the fair value of which is sensitive to changes in the exchange rate). All other parameters are assumed to be constant. Negative amounts in the table reflect a potential net decrease in the separate statement of comprehensive income, while positive amounts reflect a potential net increase:

	2022		2021	
In thousands of Kazakhstani Tenge	Change in currency rate, in %	Effect on profit before tax	Change in currency rate, in %	Effect on profit before tax
Currency				
Russian rouble	5.74%	5,236	1.34%	(269)
	-5.57%	(5,077)	-1.31%	264
Tenge	2.26%	419	0.72%	(213)
	-2.24%	(416)	-0.76%	227
US dollars	2.14%	69,333	0.50%	3,019
	-2.07%	(67,136)	-0.48%	(2,889)

The currency position during the year had approximately equal values due to the fact that the Bank set limits on open currency positions and the position was within the established limit.

The currency position of the Bank as at 31 December 2022 is as follows:

In thousands of Kazakhstani Tenge	Tenge	US Dollar	Russian Rouble	Euro	Other Currencies	Total
Assets						
Cash and cash equivalents	29,176,677	36,916,140	666,112	6,839,830	9,387	73,608,146
Due from other banks	-	1,209,370	-	-	-	1,209,370
Loans to customers	50,000,790	25,396,343	-	104,479	-	75,501,612
Investments	554,379	-	-	-	-	554,379
Other financial assets	670,767	2,277,274	12	1,150	5	2,949,208
Total financial assets	**80,402,613**	**65,799,127**	**666,124**	**6,945,459**	**9,392**	**153,822,715**
Liabilities						
Due to credit institutions	5,108,357	-	-	-	-	5,108,357
Customer accounts	33,298,966	62,464,105	574,179	6,925,708	3,846	103,266,804
Lease liabilities	403,105	-	-	-	-	403,105
Other financial liabilities	70,722	89,812	778	1,183	-	162,495
Total financial liabilities	**38,881,150**	**62,553,917**	**574,957**	**6,926,891**	**3,846**	**108,940,761**
Net balance sheet position	**41,521,463**	**3,245,210**	**91,167**	**18,568**	**5,546**	**44,881,954**

25 Risk Management (Continued)

The currency position of the Bank as at 31 December 2021 is as follows:

In thousands of Kazakhstani Tenge	Tenge	US Dollar	Russian Rouble	Euro	Other Currency	Total
Assets						
Cash and cash equivalents	23,793,602	12,586,223	30,939	1,324,573	10,086	37,745,423
Due from other banks	-	1,076,701	-	-	-	1,076,701
Investments	554,379	-	-	-	-	554,379
Loans to customers	39,718,668	34,780,350	-	1,299,809	-	75,798,827
Other financial assets	78,448	252,618	10	1,144	7	332,227
Total financial assets	**64,145,097**	**48,695,892**	**30,949**	**2,625,526**	**10,093**	**115,507,557**
Liabilities						
Due to credit institutions	5,102,162	-	-	-	-	5,102,162
Customer accounts	39,936,725	48,083,247	51,105	2,655,066	6,328	90,732,471
Lease liabilities	534,769	-	-	-	-	534,769
Other financial liabilities	59,713	10,201	-	239	-	70,153
Total financial liabilities	**45,633,369**	**48,093,448**	**51,105**	**2,655,305**	**6,328**	**96,439,555**
Net balance sheet position	**18,511,728**	**602,444**	**(20,156)**	**(29,779)**	**3,765**	**19,068,002**

Operational risk. Operational risk is the risk arising from system failure, human error, fraud or external events. When controls fail, operational risks can damage reputation, have legal consequences, or result in financial loss. The Bank cannot assume that all operational risks have been eliminated, but with the help of a control system and by monitoring and appropriately responding to potential risks, the Bank can manage such risks. The control system provides for an effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and evaluation procedures, including internal audit.

26 Fair Value Measurement

Fair value measurement procedures. Board of the Bank determines the policies and procedures for recurring measurement of the fair value of real estate owned by the Bank.

External appraisers are engaged to evaluate buildings and land of the Bank. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, management of the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, management of the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management of the Bank, in conjunction with the external appraisers also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

As at 31 December 2022, an independent valuation of office buildings and land included in property, plant and equipment was carried out The appraisal was carried out by an independent firm of professional appraisers, IP "Property Appraisal Department", who have professional qualifications and professional experience in appraising property similar to the property being appraised in terms of location and category.

Fair value hierarchy. The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

26 Fair Value Measurement (Continued)

For the purpose of disclosing the fair values, the Bank determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

In thousands of Kazakhstani Tenge	Date of measurement	Fair Value Measurement with the use of Level 1	Level 2	Level 3	Total
2022					
Assets measured at fair value					
Property and equipment – land and buildings	31 December 2022	-	-	11,619,659	11,619,659
Investments	31 December 2022	-	7,001	-	7,001
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2022	1,973,972	71,634,174	-	73,608,146
Due from other banks	31 December 2022	-	1,209,345	-	1,209,345
Loans to customers	31 December 2022	-	-	71,601,021	71,601,021
Investments in subsidiaries	31 December 2022	-	-	547,378	547,378
Other financial assets	31 December 2022	-	-	2,949,208	2,949,208
Liabilities for which fair values are disclosed					
Due to credit institutions	31 December 2022	-	4,115,300	-	4,115,300
Customer accounts	31 December 2022	-	103,084,203	-	103,084,203
Lease liabilities	31 December 2022	-	403,105	-	403,105
Other financial liabilities	31 December 2022	-	-	162,495	162,495

In thousands of Kazakhstani Tenge	Date of measurement	Fair value measurement with the use of Level 1	Level 2	Level 3	Total
2021					
Assets measured at fair value					
Property and equipment – land and buildings	31 December 2021	-	-	10,285,541	10,285,541
Investments	31 December 2021	-	7,001	-	7,001
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2021	1,714,163	36,031,260	-	37,745,423
Due from other banks	31 December 2021	-	1,079,487	-	1,079,487
Loans to customers	31 December 2021	-	-	76,117,986	76,117,986
Investments in subsidiaries	31 December 2021	-	-	547,378	547,378
Other financial assets	31 December 2021	-	332,227	-	332,227
		-		-	
Liabilities for which fair values are disclosed		-			
Due to credit institutions	31 December 2021	-	5,396,252	-	5,396,252
Customer accounts	31 December 2021	-	91,570,842	-	91,570,842
Lease liabilities	31 December 2021	-	534,769		534,769
Other financial liabilities	31 December 2021	-	70,153	-	70,153

26 Fair Value Measurement (Continued)

Below is a comparison of the carrying amount and fair value by class of the Bank's financial instruments that are not measured at fair value in the statement of financial position. The table does not include fair values for non-financial assets and non-financial liabilities.

	2022			2021		
In thousands of Kazakhstani Tenge	Carrying amount	Fair value	Unrecogni-zed gain/(loss)	Carrying amount	Fair value	Unrecogni-zed gain/(loss)
Financial assets						
Cash and cash equivalents	73,608,146	73,608,146	-	37,745,423	37,745,423	-
Investments in subsidiaries	547,378	547,378	-	547,378	547,378	-
Due from other banks	1,209,370	1,209,345	(25)	1,076,701	1,079,487	2,786
Loans to customers	75,501,612	71,601,021	(3,900,591)	75,798,827	76,117,986	319,159
Other financial assets	2,949,208	2,949,208	-	332,227	332,227	
Financial liabilities						
Due to credit institutions	5,108,357	4,115,300	993,057	5,102,162	5,396,252	(294,090)
Customer accounts	103,266,804	103,084,203	182,601	90,732,471	91,570,842	(838,371)
Lease liabilities	403,105	403,105	-	534,769	534,769	-
Other financial liabilities	162,495	162,495	-	70,153	70,153	-
Total unrecognized change in unrealized fair value			**(2,724,958)**			**(810,516)**

Methods of measurement and assumptions. The following describes the methodologies and assumptions used to determine the fair value of assets and liabilities carried at fair value in the financial statements, as well as items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed:

Property and equipment – land and buildings. Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property.

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

Loans at fair value through profit or loss. Loans at fair value through profit or loss are valued using a combination of approaches. Where appropriate, loans are valued with reference to observable prices of debt securities issued by the borrower or by comparable entities. In other cases, valuation is performed using internal models based on present value techniques or, in some circumstances (for example, in respect of cash flow from assets held as collateral), external valuation reports. The non-observable inputs to the models include adjustments for credit, market and liquidity risks associated with the expected cash flows from the borrower's operations or in respect of collateral valuation.

Financial assets and financial liabilities carried at amortized cost. Valuation techniques include net present value and discounted cash inflow models and comparisons with similar instruments for which quoted market prices are known. Judgments and data used in the valuation include risk-free and benchmark interest rates, credit spreads and other adjustments used to estimate discount rates, stock and bond prices and foreign exchange rates. Valuation methods are aimed at determining the value that reflects the value of the financial instrument as at the reporting date, which was determined by independent market participants.

The fair value of unquoted instruments, loans to customers, deposits from customers, due to credit institutions, due to other banks, other financial assets and liabilities, financial lease liabilities is estimated by discounting future cash flows using rates that currently exist for debt with similar terms, credit risk and maturity. The following assumptions are used by management to estimate the fair value of financial instruments:

- discount rates of 13.1–20.2% for Tenge assets and 4.8–8.4% for foreign currency assets were used to discount future cash flows on loans to corporate customers and loans to retail customers, respectively (December 31, 2021: 10.4 - 22.7% and 3.6 - 11.4%, respectively);
- to calculate estimated future cash flows on current accounts and deposits of corporate and retail customers, discount rates of 0.5–14.8% for Tenge deposits, 0.2–1.3% for foreign currency deposits were used, respectively (December 31, 2021: 0.4–8.8% and 0.2 – 2.7%, respectively).

26 Fair Value Measurement (Continued)

Significant unobservable inputs and sensitivity of level 3 non-financial instruments measured at fair value to changes to key assumptions

The following table summarizes the sensitivity of the fair value measurement of Bank's buildings and land categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 31 December 2022 and 2021:

Unobservable inputs	Range	Description of sensitivity
Trade discount	0.0%–10.0%	An increase/decrease in the trade discount may result in a decrease/increase in the fair value of the Bank's land and buildings.
Adjustment for size	–27.0%–9.0%	An increase/decrease in the size allowance may result in an increase/decrease in the fair value of the Bank's land and buildings.
Adjustment for intended purpose	3.7%–6.2%	An increase/decrease in the use allowance may result in an increase/decrease in the fair value of the Bank's land and buildings.

27 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 25 for the Bank's contractual undiscounted repayment obligations.

	2022			2021		
In thousands of Kazakhstani Tenge	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	73,608,146	-	73,608,146	37,745,423	-	37,745,423
Due from other banks	1,209,370	-	1,209,370	1,076,701	-	1,076,701
Investments	-	554,379	554,379	-	554,379	554,379
Loans to customers	38,132,555	37,369,057	75,501,612	21,826,489	53,972,338	75,798,827
Property and equipment	-	12,032,537	12,032,537	-	10,882,025	10,882,025
Intangible assets	-	321,308	321,308	-	279,078	279,078
Prepayment of current tax liabilities	185,770	-	185,770	-	-	-
Other assets	4,583,754	367,147	4,950,901	6,298,928	-	6,298,928
Total assets	**117,719,595**	**50,644,428**	**168,364,023**	**66,947,541**	**65,687,820**	**132,635,361**
Due to credit institutions	1,108,357	4,000,000	5,108,357	5,102,162	-	5,102,162
Customer accounts	84,886,950	18,379,854	103,266,804	90,174,766	557,705	90,732,471
Current CIT payable	-	-	-	110,010	-	110,010
Deferred CIT liabilities	-	214,864	214,864	-	166,858	166,858
Lease liabilities	185,972	217,133	403,105	181,810	352,959	534,769
Other liabilities	427,357	51,377	478,734	174,458	25,716	200,174
Total liabilities	**86,608,636**	**22,863,228**	**109,471,864**	**95,743,206**	**1,103,238**	**96,846,444**
Net position	**31,110,959**	**27,781,200**	**58,892,159**	**(28,795,665)**	**64,584,582**	**35,788,917**

The Bank's ability to meet its obligations is based on its ability to realize an equivalent amount of assets within the same period of time. As at 31 December 2022, the Bank has positive liquidity of KZT 31,110,959 thousand during the year (31 December 2021 - negative liquidity of KZT 28,795,665 thousand).

Liabilities that are redeemable on demand are treated in the table above as if redemption had been made. However, the Bank expects that many customers will not request repayment at the earliest date on which the Bank will be required to make the respective payment, and accordingly, the table does not reflect the expected cash flows calculated by the Bank based on information on the demand for customer funds for historical periods.

28 Related Parties Disclosure

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

Transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

The amount of related party transactions and balances as of 31 December 2022 and 2021, as well as the respective amounts of income and expenses for the years than ended are as follows:

	2022					2021				
In thousands of Kazakhstani Tenge	Controlling shareholder	Key management personnel	Entities under common control	Subsidiaries	Total	Controlling shareholder	Key management personnel	Entities under common control	Subsidiaries	Total
Assets										
Cash and cash equivalents	2,092,252	-	862,852	-	2,955,104	545,861	-	511,919	-	1,057,780
Due from other banks	-	-	1,209,371	-	1,209,371	-	-	1,079,770	-	1,079,770
Loans to customers	-	69,254	-	-	69,254	-	807	-	-	807
Other assets	-	-	16,989	-	16,989	-	-	-	-	-
Liabilities										
Customer accounts		10,591	21,287	306,264	338,142		42,525		170,542	213,067

The income and expense items on transactions with related parties for the years ended 31 December 2022 and 2021 were as follows:

	2022					2021				
In thousands of Kazakhstani Tenge	Controlling shareholder	Key management personnel	Entities under common control	Subsidiaries	Total	Controlling shareholder	Key management personnel	Entities under common control	Subsidiaries	Total
Interest income	147,946	4,137	52,461	-	204,544	14,112	422	44,720	-	59,254
Interest expense	(295,742)	-	(7)	(19,920)	(315,669)	-	-	-	(3,255)	(3,255)
Comission expenses	(49,871)	-	-	-	(49,871)	-	-	-	-	-

Information on the terms of raising funds from the Controlling Shareholder is disclosed in Note 12. As at 31 December 2022, key management personnel loans had interest rates of 8%–12% per annum (31 December 2021: 8%–17% per annum) and maturities in 2021-2026 (31 December 2021: in 2021-2026).

Below is information for 2022 on the remuneration of 9 members (2021: 10 members) of key management personnel:

In thousands of Kazakhstani Tenge	2022	2021
Salaries and other short-term benefits	117,915	104,819
Social security contributions	11,381	9,881
Total remuneration to key management personnel	**129,296**	**114,700**

29 Capital Adequacy

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

During 2022 and 2021, the Bank had complied in full with its externally imposed capital requirements.

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

29 Capital Adequacy (Continued)

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

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

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

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the share capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of stage 1 and stage 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as of 31 December 2022 and 2021:

In thousands of Kazakhstani Tenge	2022	2021
Tier 1 capital	58,327,786	35,505,742
Tier 2 capital	-	-
Total statutory capital	**58,327,786**	**35,505,742**
Risk-weighted assets and contingent liabilities, potential claims and liabilities	**158,869,838**	**125,873,147**
Capital adequacy ratio k1 (at least 5,5%)	37%	28%
Capital adequacy ratio k1-2 (at least 6,5%)	37%	28%
Capital adequacy ratio k2 (at least 8%)	37%	28%

In thousands of Kazakhstani Tenge	2022	2021
Tier 1 capital		
Share capital	48,500,000	15,000,000
Revaluation reserves	950,746	696,534
Retained earnings	18,916,705	18,911,111
Accumulated disclosed reserve	1,177,175	1,177,175
Loss of the current year	(10,895,533)	-
Intangible assets, including goodwill	(321,307)	(279,078)
Total Tier 1 capital	**58,327,786**	**35,505,742**
Tier 2 capital		
Revaluation reserve	-	-
Subordinated debt	-	-
Total Tier 2 capital	-	-
Total capital	**58,327,786**	**35,505,742**

29 Capital Adequacy (Continued)

In thousands of Kazakhstani Tenge	2022	2021
Credit risk-weighted assets	117,032,146	106,301,731
Credit risk-weighted contingent and possible liabilities	36,166,558	14,989,059
Assets and contingent and possible claims and liabilities calculated taking into account market risk	326,075	74,025
Operational risk	5,345,059	4,508,334
Total amount of risks	**158,869,838**	**125,873,149**

30 Events after the End of the Reporting Period

On 13 January 2023, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to set the base rate at 16.75% per annum with a corridor of +/- 1 p.p. The decision was made in the conditions of compliance of the actual inflation with the forecasts of the National Bank of the Republic of Kazakhstan. The dynamics of internal and external inflationary processes, as well as the trajectory of economic growth, are formed in accordance with the base scenario of the forecast of the National Bank of the Republic of Kazakhstan. Monthly inflation is gradually slowing down while simultaneously exceeding its average annual values. The balance of inflation risks remains skewed in favor of pro-inflationary risks, with a high stable portion of inflation and accelerated inflation expectations. The negative impact of the restructuring of supply chains on the economy continues. The remaining risks require maintaining the base rate at current values for an extended period of time.

In March 2023, due to recent events that led to higher interest rates in both Europe and the US, California-based Silicon Valley Bank filed for bankruptcy, the second largest bankruptcy in US history since the closure of Washington Mutual in 2008. Silicon Valley Bank was one of the 16 largest US banks and specialized in working with startups. The risks of the impact of the local crisis in the US on the banks of the Eurozone led to a fall in the value of shares of the Swiss bank Credit Suisse. In recent days, global events are reflected in the domestic foreign exchange market. There is an increase in volatility and a weakening of the national currency against the US dollar, which is complicated by the fall in oil prices to $73-74 per barrel. At the same time, the impact of local crises in US and Eurozone banks on the financial market of Kazakhstan is limited. The Bank has no assets in US and Eurozone banks. As of the date of issue of these statements, the Bank's management does not observe the impact of these events on the Bank, and the Bank regularly conducts stress testing, which allows to predict the potential effect of such events on the financial position of the Bank. According to the results of the latest stress testing, the margin of safety is sufficient and in the event of such scenarios, the Bank's prudential standards will not be violated.