Shinhan Bank Kazakhstan JSC

Financial Statements in accordance with IFRSs
for the year ended 31 December 2023

and Independent Auditors' Report

Shinhan Bank Kazakhstan JSC

Management's Statement of Responsibility for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2023

The following statement, which must be considered together with the description of responsibilities of the auditors contained in the presented Independent Auditors' Report, is made for the purpose of division of responsibilities of the auditor the and management of the Bank regarding the financial statements of Shinhan Bank Kazakhstan JSC (hereinafter - the Bank).

The Bank's management shall be liable for preparation of the financial statements presenting fairly, in all material respects, the financial position of the Bank as of 31 December 2023, as well as its financial performance, cash flows and changes in the equity for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

When preparing the financial statements, the management shall be liable for:

- Selecting appropriate accounting principles and applying them consistently;
- Applying reasonable estimates and calculations;
- Complying with the requirements of the IFRS or disclosure of all material deviations from the IFRS in the notes to the financial statements; and
- Preparing the financial statements assuming that the Bank will continue as a going concern in the foreseeable future except when such an assumption is unjustified.

The management is also responsible for:

- Designing, implementing and ensuring effective and reliable internal control in the Bank;
- Record keeping that allows providing sufficiently accurate information on the financial position of the Bank at any date and ensuring compliance of the financial statements with IFRSs;
- Record keeping according to the laws of the Republic of Kazakhstan;
- Taking all reasonably possible actions to safeguard the Bank's assets; and
- Detecting and preventing frauds and other abusive practices.

The financial statements for the year ended 31 December 2023 have been approved by the management of Shinhan Bank Kazakhstan JSC on 19 April 2024.

On behalf of the management:

Chairman of the Management Board	Chief Accountant
Cho Yongeun	G.Sh. Zhaksybayeva

19 April 2024
Almaty City, Republic of Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Management Board of Shinhan Bank Kazakhstan JSC

Auditors' Report

Opinion

We have audited the accompanying financial statements of Shinhan Bank Kazakhstan JSC (hereinafter - the Bank), which comprise the statement of financial position as of 31 December 2023, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and other explanatory notes.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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 based on these financial statements.

As a part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the 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 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 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 financial statements, including the disclosures, and whether the 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.

The engagement partner on the audit resulting in this independent auditor's report is issued:

Auditor G.Zh. Zharikova

Auditor's Qualification Certificate No.0000217 dated 22.12.2014 issued by the Qualification Commission for certification of the auditors of the RK.

BDO Qazaqstan LLP

State license No.21012748 issued on 19 March 2021 by the Committee for Internal State Audit of the Ministry of Finance of the Republic of Kazakhstan.

Director R.M. Rakhimbayev

'19' April 2024

Almaty City

SHINHAN BANK KAZAKHSTAN JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023
(thousand Kazakhstan tenge)

	Notes	2023	2022
Interest income	4	62,270,849	10,842,801
Interest expenses	4	(38,039,864)	(6,104,881)
Net interest income	4	**24,230,985**	**4,737,920**
Commission income	5	167,934	161,137
Commission expenses	6	(195,376)	(234,435)
Net fee income		**(27,442)**	**(73,298)**
Net profit from foreign currency transactions	7	2,699,913	606,541
Other operating income/(expenses), net		142,024	(3,193)
Operating income		**27,045,480**	**5,267,970**
Recovery of losses/(losses) from impairment	9	(114,327)	(116,624)
Personnel expenses	8	(1,163,391)	(1,001,914)
Other general and administrative expenses	10	(565,997)	(523,579)
Profit before income tax		**25,201,765**	**3,625,853**
Income tax recovery/(expense)	11	15,940	(254,508)
Profit for the year		**25,217,705**	**3,371,345**
Other comprehensive loss less income tax			
Items that are or may be reclassified subsequently in profit or loss:			
Provision for revaluation of financial assets at fair value through other comprehensive income			
- net change of fair value		34,548	33,538
Other comprehensive loss for the year less income tax		**34,548**	**33,538**
Total comprehensive income for the year		**25,252,253**	**3,404,883**
Earnings per share			
Basic and diluted earnings per share (tenge)	25	**25,145.49**	**3,361.69**

On behalf of the management:

Chairman of the Management Board
Cho Yongeun

Chief Accountant
G.Sh. Zhaksybayeva

19 April 2024
Almaty City, Republic of Kazakhstan

Notes on pages 10-60 shall be an integral part of these financial statements

(thousand Kazakhstan tenge)

	Notes	31.12.2023	31.12.2022
ASSETS			
Cash and cash equivalents	12	335,979,749	80,453,806
Accounts and deposits with banks	13	184,910	182,812
Financial assets at fair value through other comprehensive income	14	-	970,269
Loans granted to customers:			
- loans granted to large-scale businesses	15	6,978,987	-
- loans granted to small and medium-sized businesses	15	31,333,988	13,728,483
- loans granted to retail customers	15	9,802,142	8,696,405
Financial assets at amortized cost	16	88,107,686	20,907,670
Current corporate income tax assets		433,588	73,707
Non-current assets held for sale	17	155,691	155,691
Property, plant and equipment, intangible assets and right-of-use assets	18	450,719	411,305
Deferred income tax assets	11	48,268	44,972
Other assets	19	734,344	286,682
Total assets		**474,210,072**	**125,911,802**
LIABILITIES			
Accounts and deposits of banks	20	348,438	79,509
Current accounts and deposits from customers:			
- current accounts and deposits of corporate customers	21	411,493,451	71,141,596
- current accounts and deposits of retail customers	21	8,541,984	11,486,216
Loans from banks	22	-	13,888,271
Loans from international financial organizations	23	7,023,267	8,230,594
Other liabilities	24	1,280,082	815,019
Total liabilities		**428,687,222**	**105,641,205**
EQUITY			
Share capital	25	10,028,720	10,028,720
Additional paid-up capital		144,196	144,196
Capital reserves		279,516	279,516
Provision for revaluation of financial assets at fair value through other comprehensive income		-	(34,548)
Retained earnings		35,070,418	9,852,713
Total equity		**45,522,850**	**20,270,597**
Total liabilities and equity		**474,210,072**	**125,911,802**

Chairman of the Management Board
Cho Yongeun

Chief Accountant
G.Sh. Zhaksybayeva

19 April 2024
Almaty City, Republic of Kazakhstan

STATEMENT OF CASH FLOWS for the year ended 31 December 2023
(thousand Kazakhstan tenge)

	2023	2022
Cash flows from operating activities		
Earned interest income	62,553,291	10,724,775
Paid interest expenses	(34,975,169)	(5,725,990)
Earned fee income	165,789	158,244
Paid fee expenses	(216,608)	(222,421)
Net receipts from foreign currency transactions	2,657,992	475,838
Other operating receipts/(payments)	306,643	189,659
Employee benefits	(1,126,230)	(981,736)
Other paid general and administrative expenses	(436,401)	(232,510)
Increase/(decrease) in operating assets		
Accounts and deposits with banks	(10,166)	(2,581)
Loans granted to customers	(25,578,490)	(2,360,092)
Increase/(decrease) in operating liabilities		
Accounts and deposits of banks	276,608	(668,930)
Current accounts and deposits of customers	335,392,908	27,067,075
Net cash flows from operating activities before income tax	**339,010,167**	**28,421,331**
Paid income tax	(352,837)	(310,000)
Net cash flows from operating activities	**338,657,330**	**28,111,331**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(67,593)	(9,502)
Acquisition of financial assets at amortized cost	(67,666,499)	(10,998,776)
Disposal of financial assets at fair value through other comprehensive income	968,646	310,982
Net cash flows used in investing activities	**(67,666,499)**	**(10,697,296)**
Cash flows from financing activities		
Borrowings repaid/(obtained)	(14,904,238)	17,218,842
Paid liabilities on lease	(114,778)	(87,437)
Net cash flows from/(used in) financing activities	**(15,019,016)**	**17,131,405**
Net changes in cash and cash equivalents	**256,872,868**	**34,545,440**
Effect of changes of exchange rates on cash and cash equivalents	(1,337,714)	1,233,427
Provision for expected credit losses	(9,211)	(4,217)
Cash and cash equivalents at the beginning of the year	80,453,806	44,679,156
Cash and cash equivalents at the end of the year	**335,979,749**	**80,453,806**

Chairman of the Management Board
Cho Yongeun

Chief Accountant
G.Sh. Zhaksybayeva

19 April 2024
Almaty City, Republic of Kazakhstan

Notes on pages 10-60 shall be an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023

(thousand Kazakhstan tenge)

	Share capital	Additional paid-up capital	Capital reserves	Provision for revaluation of financial assets at fair value through other comprehensive income	Retained earnings	Total equity
As of 31 December 2021	10,028,720	144,196	279,516	(68,086)	6,481,368	16,865,714
Profit for the year					3,371,345	3,371,345
Net changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	33,538	-	33,538
Total other comprehensive income	-	-	-	33,538	-	33,538
Total comprehensive income for the year	-	-	-	33,538	3,371,345	3,404,883
As of 31 December 2022	10,028,720	144,196	279,516	(34,548)	9,852,713	20,270,597
Profit for the year	-	-	-	-	25,217,705	25,217,705
Net changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	34,548		34,548
Total other comprehensive income	-	-	-	34,548		34,548
Total comprehensive income for the year	-	-	-	34,548	25,217,705	25,252,253
As of 31 December 2023	10,028,720	144,196	279,516	-	35,070,418	45,522,850

Chairman of the Management Board
Cho Yongeun

Chief Accountant
G.Sh. Zhaksybayeva

19 April 2024
Almaty City, Republic of Kazakhstan

Notes on pages 10-60 shall be an integral part of these financial statements

1. BACKGROUND

(a) Organization and primary activities

The Bank was founded in the Republic of Kazakhstan in 2008 as a joint stock company. The primary activities of the Bank consist in the attraction of deposits and the maintenance of customer accounts, loans granting and issue of guarantees, provision of cash and settlement services, making transactions with securities and foreign currency. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan (RK NB).

The official status of the Bank as a legal entity is established through the state registration with the Ministry of Justice of the Republic and Kazakhstan (Certificate of the state registration of a legal entity No. 5037-1900-AO (FP), the right to be engaged in banking established by the Agency of the Republic of Kazakhstan for regulation and supervision of financial market and financial organizations (AFS) (license to settle banking and other transactions No. 1.1.258 dated 28 November 2008).

In January 2015, in connection with the entry into force of the Law of the Republic of Kazakhstan *On Amendments and Alterations to Certain Legislative Acts of the Republic of Kazakhstan Concerning the Authorization System*, the designation of a type of banking transaction 'related to organization of foreign currency exchange transactions' was changed to the 'organization of foreign currency exchange transactions', including the organization of foreign exchange cash transactions, license of the Bank was re-issued (License of the National Bank of the Republic of Kazakhstan No. 1.1.258 dated 20.01.2015). In January 2017, due to a change of the legal address, the license of the Bank was re-issued (License of the National Bank of the Republic of Kazakhstan No. 1.1.258 dated 27.01.2017).

Legal address of the Bank: 38, Dostyk Ave., Almaty City, 050010, Republic of Kazakhstan.

The Bank has no branches. The most of assets and liabilities are in the Republic of Kazakhstan.

The Bank is wholly owned by Shinhan Bank JSC (Seoul, Republic of Korea) (hereinafter referred to as the Parent Bank or the Shareholder). The ultimate parent company is Shinhan Financial Group Co. Ltd., which is entitled to direct, in its sole discretion and in its own interests, the activities of the Bank. More details on related party transactions are disclosed in Note 29.

(b) Operating environment

General

The Bank's activities are carried out mainly in Kazakhstan. Accordingly, the Bank is exposed to the risks inherent in Kazakhstan's economic and financial markets, which exhibit the characteristics of an emerging market economy. The legal system, tax system and legal framework continue to evolve but are subject to varying interpretations and frequent changes which, along with other legal and financial barriers, exacerbate the problems faced by organizations operating in Kazakhstan.

Economic factors

Over the past few years, the world and financial markets have experienced a long list of disturbances. Inter alia, they include the coronavirus pandemic, the economic recession in China, rising energy prices, unrest in Iran and a number of other countries, global tightening of monetary policy, the war between Russia and Ukraine and the Palestinian-Israeli conflict.

The natural course and organic development of the economies of the leading countries were disrupted. Uncertainty of future events, volatility in raw and capital markets, logistical problems led to financial difficulties for many companies, difficulties in forecasting and budgeting the activities of organizations in various sectors of the economy.

The aggravation of the geopolitical situation led to the expansion of sanctions and restrictions of a number of countries against certain sectors of the Russian economy, Russian companies and citizens; a number of international companies suspended or terminated their business activities in the Russian Federation, as well as ceased to cooperate with the companies associated with the Russian Federation. The management of the Bank monitors the development of the situation and takes all necessary actions to reduce and level emerging risks, ensure uninterrupted activities and maintain the financial stability of the Bank.

The geopolitical crisis continues to have a negative impact on the development of the world economy. Under the pressure of rising energy prices and growing uncertainty, the economies of many countries are slowing down. Weaker economic activities are confirmed by business activity indicators. The global inflation remains at historical highs. However, against the backdrop of a slight decrease in world prices for oil and other energy resources, the overall global inflation continued to decline in annual terms in 2023, without a significant decline in economic activity.

On 17 November 2023, the international rating agency - Fitch Ratings - affirmed the sovereign credit rating of the Republic of Kazakhstan at BBB, with a stable outlook. Kazakhstan's strong fiscal position and significant external provisions, which have contributed to its resilience to external factors, continue to be the key drivers for maintaining Kazakhstan's credit rating. According to Fitch Ratings, the foreign exchange reserves, including liquid assets of the National Fund of the Republic of Kazakhstan, increased in January-October 2023 by 17% and amounted to 33% of GDP. Net foreign assets amounted to 32.3% of GDP, which is significantly higher than the median for countries with similar credit ratings. At the same time, the country's dependence on commodities, high inflation rate and an underdeveloped economic policy program are noticed. According to the agency, the measures taken to diversify the economy take time, given the difficulties associated with the situation in the economic sphere. Fitch estimates that expansion of activities at the Tengiz field (postponed until the end of 2024) will balance the impact of the geopolitical situation in the region.

The analysts of Fitch Ratings predict a decrease in inflation in 2024 to 9.5%. The agency emphasizes the commitment of the National Bank to a floating exchange rate, which contributes to the absorption of negative factors.

In addition, the oil and gas sector in the Republic of Kazakhstan remains subject to the influence of political, legislative, tax and regulatory changes in the Republic of Kazakhstan. The prospects for economic stability of the Republic of Kazakhstan largely depend on the effectiveness of economic measures taken by the Government, as well as on the development of the legal, regulatory and political systems, specifically on the circumstances that are beyond the control of the Bank.

The accompanying financial statements present the assessment of the Bank's management of the possible impact of current conditions on the performance and financial position of the Bank. However, the impact of changes in the economic situation on the future performance and financial position of the Bank is currently difficult to determine.

2. FRAMEWORK FOR PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of conformance to IFRSs

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by the International Accounting Standards Board (IAS Board).

(b) Basis of evaluation

These financial statements have been prepared in accordance with the actual cost principle, with the exception of financial assets at fair value through other comprehensive income.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge (hereinafter - the tenge), which, being the national currency of the Republic of Kazakhstan, best reflects the economic essence of most of the Bank's operations and related circumstances affecting its activities.

The Kazakhstan tenge is also the presentation currency of these financial statements. All data presented in the tenge have been rounded to the nearest thousand tenge unless otherwise stated.

(d) Use of professional judgements, accounting estimates and assumptions

The preparation of the financial statements in accordance with the requirements of IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the amount of assets and liabilities, income and expenses presented in the financial statements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. The estimate adjustments are recognized in the reporting period in which the estimates are revised and in any subsequent periods which they affect.

The information regarding significant estimation uncertainties and critical reasonable judgments in applying the accounting policies is provided in the following notes:

- Note 15 - estimation of loan impairment;
- Note 16 - classification of financial assets at amortized cost;
- Note 30 - fair value of financial instruments.

(e) Going concern

The accompanying financial statements have been prepared on the assumption of a going concern, which implies the disposal of assets and the settlement of liabilities in the course of the ordinary business of the Bank. In making this estimation, the Bank's management considered a wide range of information regarding current and future economic conditions, including projections for cash flows, earnings and capital resources.

3. MATERIAL INFORMATION ON ACCOUNTING POLICIES

The accounting policies described below have been applied by the Bank consistently throughout the reporting periods presented in these financial statements.

(a) Foreign exchange transactions

The foreign exchange transactions are translated into the functional currency of the Bank at the exchange rates prevailing on the dates of transactions.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the exchange rate prevailing at the reporting date. Profit or loss from transactions with monetary assets and liabilities denominated in foreign currency is a difference between the amortized cost in the functional currency at the beginning of the period adjusted by the amount of interest charged at the effective rate and payments during the period and amortized cost in foreign currency translated into the functional currency at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currency measured at fair value are translated into the functional currency at the exchange rates prevailing on the dates of fair value measurement. Non-monetary assets and liabilities denominated in foreign currency and reported at actual costs are translated into the functional currency at the exchange rate prevailing on a transaction date.

The foreign exchange differences resulting from translation into the foreign currency are recognized in profit or loss.

(b) Financial instruments

(i) Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position of the Bank when the Bank becomes a contracting party to the underlying financial instrument. The Bank reports regular acquisitions and disposals of financial assets and liabilities using the accounting method at the settlement date. Financial instruments acquired in this way, which will subsequently be measured at fair value, are accounted for in the same way as the acquired instruments from the time of conclusion of a transaction until the settlement date set.

Financial assets and financial liabilities are initially reported at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities reported at fair value through profit or loss (FVTPL)) respectively increase or decrease the fair value of financial assets or financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities reported at fair value through profit or loss are reported directly in profit or loss. The accounting principles used to subsequently measure the value of financial assets and financial liabilities are disclosed in the relevant accounting policies described below.

Financial assets

All financial assets are recognized and derecognised on a date of transaction when a financial asset is purchased or sold under a contract the terms of which require delivery of the financial asset within the time limits set by the relevant market and are initially measured at fair value, plus transaction costs, excluding those financial assets that are classified as measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as measured at fair value through profit or loss are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* must be subsequently measured at amortized cost or fair value based on the Bank's business model for managing financial assets and the contractual cash flow characteristics of financial assets.

At the same time:

- *Holding an asset to receive contractual cash flows.*

This business model assumes that the financial assets are managed to realize cash flows by receiving payments of principal and interest over the life of the financial instrument.

Under this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.

- *Holding an asset to receive contractual cash flows and sell financial assets.*

This business model assumes that the management of financial assets is aimed at both receiving contractual cash flows and selling financial assets. Within this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a higher frequency and volume of sales compared to the business model of 'Holding an asset to receive contractual cash flows'.

- *Holding an asset for other purposes.*

Within this business model, the goal of managing the financial assets can be:

a. management for the purpose of realizing cash flows through the sale of financial assets;

b. liquidity management to meet daily funding needs;

c. a portfolio the management and performance evaluation of which are based on a fair value; and

d. a portfolio that meets the 'held for trade' definition. Financial assets are considered to be held for trade if they have been acquired principally for the purpose of selling in the near term (up to 180 days), generating short-term profits, or are financial derivatives (with the exception of a financial guarantee or derivative financial instruments, which have been identified as hedging instrument).

In accordance with IFRS 9, the Bank's financial assets are classified as follows:

- loans granted to customers that are classified as assets measured at amortized cost are held within a business model aimed at receiving contractual cash flows that are solely payments of principal and interest on principal outstanding and which include solely payments on account of principal and interest (SPPI);
- cash and cash equivalents include cash banknotes and coins, unrestricted balances (nostro accounts) with the RK NB and other banks, as well as highly liquid financial assets with original maturities of less than 3 months that are not subject to significant risk of changes in fair value and are used by the Bank to settle current liabilities. Cash and cash equivalents are reported at amortized cost in the statement of financial position;
- interbank loans/deposits, REPO transactions are classified, as a rule, as assets measured at amortized cost since they are managed within a business model aimed at receiving contractual cash flows that include SPPI;
- debt securities may be classified into any of three classification categories based on the chosen business model and SPPI test compliance;
- equity securities are classified, as a rule, into the category of instruments measured at fair value with changes therein reported in profit or loss for the period; and

- trading securities and derivative financial instruments are classified into the category of financial assets measured at fair value with changes therein reported in profit or loss for the period.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

A financial liability is classified as held for trade if:

- it is accepted for the primary purpose of repurchase in the near future;
- when initially recognized, it is a part of a portfolio of identified financial instruments that are managed by the Bank as a single portfolio that has a recent history of short-term purchases and reselling, or
- it is a derivative instrument that is not classified and is not used as a hedging instrument.

A financial liability other than financial liability or contingent consideration that may be paid by a customer in a business combination held for trade may be qualified as FVTPL financial liability at the time of recognition if:

- the use of such a classification eliminates or significantly reduces imbalances in the measurement of or accounting for the assets or liabilities that might otherwise arise;
- a financial liability is a part of a group of financial assets or financial liabilities or a group of financial assets and liabilities that are managed and measured on the basis of a fair value in accordance with the Bank's documented risk management or investment strategy and the information about such a group of financial liabilities is presented within the organization on this basis; or
- a financial liability is a part of an instrument containing one or more embedded derivatives, and IFRS 9 allows the instrument as a whole (asset or liability) to be classified as measured at fair value with recognizing changes therein in the statement of profit or loss.

Financial assets and financial liabilities measured at fair value through profit or loss are accounted for in the statement of financial position at fair value. Changes in fair value are reported in net loss/(profit) on financial assets and liabilities measured at fair value through profit or loss. Interest earned or incurred is recognized as interest income or expense, as appropriate, in accordance with the terms of a contract, while dividend income is recorded in Other income when the right to receive dividends is established.

Debt instruments at amortized cost or at fair value through other comprehensive income

The Bank assesses the classification and measurement of a financial asset based on the characteristics provided by the cash flow contract and the Bank's business model used to manage the asset.

To classify and measure an asset at amortized cost or at fair value through other comprehensive income, the terms of the relevant contract must provide for the occurrence of cash flows that include solely payment of principal and interest on the principal outstanding.

When revising the contractual cash flows for compliance with the specified requirements, the principal outstanding is considered as a fair value of a financial asset at its initial recognition. During the life of a financial asset, the principal debt may change (for example, in the case of principal payments). Interest includes consideration for the time value of money, for the credit risk of principal remaining outstanding for a specified period of time, and for other normal risks and costs associated with lending, as well as a profit margin. The payments of principal and interest are measured in a currency in which a financial asset is denominated.

The contractual cash flows, which include solely payments of principal and interest, comply with the terms of an underlying loan contract. Contractual terms that give rise to risks or volatility in contractual cash flows that are not related to the underlying loan contract, such as share or commodity price risk, do not give rise to contractual cash flows that include solely payment of principal and interest on the principal outstanding. An originated or acquired financial asset may be the underlying loan contract, whether or not it is a loan in its legal form.

The business models used to manage financial assets was assessed at the date of first adoption of IFRS 9 to classify a financial asset. The business model has been applied retrospectively to all financial assets recognized in the Bank's balance sheet at the date of first adoption of IFRS 9. The business model used by the Bank is defined at a level that reflects how the grouped financial assets are managed to achieve a particular business objective. Since the Bank's business model is not subject to the management's intentions for an individual instrument, the assessment is not made at the level of individual instruments, but at a higher level of aggregation.

To manage its financial instruments, the Bank uses several business models that describe the mechanism for managing financial assets in order to generate cash flows. These business models determine whether cash flows of the Bank will result from the receipt of contractual cash flows, the sale of financial assets, or both.

When assessing a business model, the Bank takes into account all available information. However, the assessment is not based on scenarios that the Bank can reasonably expect to occur, such as a 'worst case' or 'stress' scenario. The Bank takes into account all relevant data, such as:

- a mechanism for evaluating the effectiveness of the business model and the financial assets held within that business model and reporting to key management personnel;
- risks affecting the effectiveness of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the mechanism for paying remuneration to management (for example, the grounds for paying remuneration are analysed: a fair value of relevant assets or contractual cash flows received).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or indicate the emergence of a new business model. The Bank reviews its business models in each reporting period to identify changes from the previous period. In the current reporting period, the Bank did not reveal any changes in its business models.

Upon derecognition of a debt instrument measured at fair value through other comprehensive income, the cumulative profit/loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Debt instruments that, after initial recognition, are measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

(ii) *Derecognition*

The Bank derecognises a financial asset when it loses its contractual rights to cash flows from that financial asset, or when it transfers a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to the other party, or in which the Bank does not transfer or retain substantially all the risks and rewards incidental to ownership of that financial asset and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when the contractual liabilities on it are discharged, cancelled or terminated.

The Bank enters into transactions whereby it transfers the assets recognized in the statement of financial position, but retains all or part of the risks and rewards arising from ownership of the transferred assets. While retaining all or substantially all the risks and rewards, the Bank does not derecognize the transferred assets.

In transactions where the Bank does not retain, but does not transfer substantially all the risks and rewards of ownership of a financial asset, that asset is derecognized if the Bank has lost control of the asset.

If the Bank retains control of the asset when it is transferred, it continues to recognize the asset to the extent that it retains an interest in the asset, which is determined as an extent to which the Bank is exposed to changes in its value.

The Bank writes off he assets that are recognized as uncollectible.

(iii) *Assets and liabilities offset*

Financial assets and liabilities are offset and presented in the statement of financial position on a net basis only when the Bank currently has an enforceable right to offset the recognized amounts and intends to either settle them on a net basis or dispose of the asset and settle the liability at the same time. The Bank currently has a legally enforceable right to set off unless this right is conditional on a future event and is legally enforceable both in the normal course of business and in case of a default on liabilities, insolvency or bankruptcy of the Bank or any of its counterparties.

(iv) Impairment

Impairment for financial assets was calculated taking into account the following factors:

- To calculate the amount of expected credit losses (ECLs), the Bank evaluates the loans on a case-by-case basis and on a group basis with grouping the assets based on the general characteristics of credit risk.
- ECLs are estimates of the present value of credit losses given their probability. The estimate of these losses is the present value of a difference between the cash flows due to the Bank under a contract and the cash flows that the Bank expects to receive based on a probability analysis of a number of economic scenarios, discounted using the effective interest rate for the relevant asset.
- The calculation is based on reasonable and substantiated information that can be obtained without undue cost or effort. The calculation of the current value of the expected future cash flow of a collateralized financial asset reflects the cash flow that could result from enforcement minus the costs of obtaining and enforcing the collateral whether or not enforcement is probable. The provisions are based on the Bank's own loss analysis experience and management's assumptions about the level of losses that are likely to be recognized for assets in each credit risk category based on the capability to service a debt and the borrower's credit history.
- The impairment for treasury operations (investments in debt securities, reverse REPO transactions, interbank loans and deposits, operations on correspondent accounts, receivables on treasury operations) is calculated taking into account the rating of a counterparty, the probability of default, the term of a transaction and the level of loss at default.
- The expected credit losses on treasury operations are measured on a case-by-case basis (except for certain claims in the form of receivables).

Financial assets are segmented into baskets in accordance with the following approach:

- Stage 1: the credit risk has not increased significantly since the recognition of an asset; impairment is recognized in the amount of expected losses over the next 12 months;
- Stage 2: the credit risk has increased significantly since the recognition of an asset; impairment is recognized in the amount of expected losses over the entire life of a financial asset;
- Stage 3: The financial asset is in default or has indications of impairment.

Provisions for expected credit losses

The expected credit losses must be estimated using an allowance the value of which is equal to:

- the amount of credit losses expected over the next 12 months i.e. that portion of credit losses over the entire life of a financial instrument that represents expected credit losses due to defaults on liabilities under the instrument that may arise within 12 months after the reporting date (Stage 1);
- the amount of credit losses expected over the entire life of a financial instrument, which arise as a result of all possible cases of default on liabilities under an instrument during term thereof (Stage 2 and Stage 3).

The creation of an allowance in the amount of total ECLs for the entire life of a financial instrument is required in the event of a significant increase in the credit risk of the instrument since its initial recognition. In all other cases, the provisions for ECLs are formed in the amount equal to the ECLs within 12 months.

- For undrawn credit, ECLs are as difference between the present value of the difference between the contractual cash flows due to the Bank if the holder of a commitment draws the credit and the cash flows the Bank expects to receive if the credit is drawn.
- For financial guarantee contracts, ECLs are a difference between the expected payments to indemnify a holder of guaranteed debt instrument less any amounts that the Bank expects to receive from holder, borrower or any other party.

ECLs are estimated for individual loans or portfolios of loans with similar risk characteristics. The calculation of an allowance for ECLs (whether on a case-by-case basis or on a group basis) is based on the present value of the expected cash flows for the asset using the original effective interest rate (EIR).

When determining ECLs, it is extremely important to use the definition of a default. The definition of a default is used to estimate the amount of ECLs and to determine if an allowance is calculated for the next 12 months or for the entire term of the loan, since the concept of 'a default' is a part of the concept of 'probability of a default', which affects both the estimate of ECLs and identification of a significant increase in credit risk.

Definition of a default

Financial assets in default bear the maximum credit risk, and there is no possibility of recovery within the original time limits set, restructuring or, in the absence of prospects for such restructuring, recognition of loss in full or in part is required. Deterioration of the financial condition of the issuer/borrower below a critical level includes significant losses, a decrease in market share, the cost of capital falling below zero.

Due to the specificity of each of the financial assets in the Bank's portfolio, the decision on recognition of default is made after being considered by the Credit Committee of the Bank on a case-by-case basis. As a rule, this decision is made as a result of events that have happened or are highly likely to be expected.

The qualitative factors for the impairment of financial assets may include the suspension of accrual of remuneration due to the deterioration of the financial condition of a counterparty, the write-off of a part and/or full amount outstanding, which is caused by a significant increase in credit risk since the provision of the financial asset, the sale of financial assets with a significant discount (15% or more), loan restructuring, filing a lawsuit for recognizing a counterparty as a bankrupt, as well as the disappearance of an active market for a security, a decrease in the value of collateral or other observable data.

If the terms of a bank loan to a customer are renegotiated so that it becomes substantially a new loan, the Bank recognizes the derecognition of such financial asset, while recognizing the difference from the derecognition of the asset to the allowance for expected credit losses in profit or loss. At initial recognition, loans to customers are classified at stage 1 for the purpose of measuring expected credit losses, excluding loans granted and classified as POCI (Purchased or Originated Credit Impaired Financial Assets). If the modification does not result in a significant change in Cash Flows, then the loan will not terminate.

As of 31 December 2023, the interest charged on restructured loans amounted to 23,395 thousand tenge (31 December 2022: 20,721 thousand tenge).

As of 31 December 2023, loans to customers included loans with restructured terms in the amount of 811,987 thousand tenge (31 December 2022: 1,171,372 thousand tenge).

(v) *Credit-impaired financial assets*

A financial asset is considered to be credit-impaired if one or more events occur that have a negative impact on the estimated future cash flows of such financial asset. In relation to credit-impaired financial assets, the term 'Stage 3 assets' is used. The indicators of credit impairment include observable data on the following events:

- significant financial difficulties of the borrower or lender;
- violation of the terms of a contract, such as default or late payment;
- the lender making a concession to the borrower for economic reasons or contractual terms due to the financial difficulties of the borrower that the lender would not otherwise have made;
- the disappearance of an active market for the security as a result of financial difficulties; or
- purchasing a financial asset at large discount that reflects the credit losses incurred.

In some cases, the identification of a single event is not possible because the credit impairment of a financial asset may be due to the combined effect of several events. At each reporting date, the Bank assesses for credit impairment the debt instruments, which are financial assets measured at amortized cost or at fair value through other comprehensive income. In assessing the credit impairment of government and corporate debt instruments, the Bank considers factors such as bond yields, credit ratings and the borrower's ability to raise funds.

A loan is considered to be credit-impaired if a concession is granted to the borrower due to deterioration in financial condition, provided there is no evidence that the concession resulted in a significant reduction in the risk of not receiving contractual cash flows, and no other indicators of impairment exist. Financial assets for which concession has been considered but not granted are considered to be credit-impaired if there are observable indicators of credit impairment, including those matching the definition of a default. The definition of a default includes indicators of the lack of probability of payment and the expiration of the payment period (in case of delay for 90 days or more). The decision to use cross default is based on an individual assessment of the conditions of the customer's object, such as collateral and materiality of the credit risk.

(c) Property, plant and equipment

(i) Own assets

The items of property, plant and equipment are reported in the financial statements at actual cost less accumulated depreciation and impairment losses. If an item of property, plant and equipment consists of several components with different useful lives, such components are reported as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged on property, plant and equipment on a declining balance method at the rates, in the amount not exceeding 20% for all types of property, plant and equipment, except for cases where the life of the item of property, plant and equipment is determined by special conditions for the use of that item of property, plant and equipment and is presented in profit or loss. Depreciation is charged from a date of acquisition of the item and, for items of property, plant and equipment erected in house, from the moment the construction of the object is completed and it is ready for operation. Land plots are not depreciated.

If the Bank makes an investment in leased property, plant and equipment, such costs are amortized on a straight-line basis over the shorter of the lease term or the useful life of the improvements to the leased property.

(d) Intangible assets

Acquired intangible assets are reported in the financial statements at actual cost less accumulated amortization and impairment losses. The costs of acquiring licenses for special software and its implementation are capitalized in the cost of the corresponding intangible asset.

Amortization is charged on intangible assets using the declining balance method at the rates, in the amount not exceeding 20% for all types of intangible assets, except for cases where the useful life of an intangible asset is determined by special conditions for the use of this intangible asset and is presented in profit or loss.

(e) Lease

The Bank, as a lessee, recognizes a right-of-use asset, which is the right to use the assets, and a liability, which is a liability on lease payments.

For all lease contracts (except for those specified below), the Bank:

- recognizes in the statement of financial position the right-of-use assets and the lease liabilities in 'Property, plant and equipment' and 'Other liabilities', respectively;
- recognizes in the statement of profit and loss the amortization of the right-of-use assets as deterioration and amortization expenses in 'Operating expenses' and interest on lease liabilities in 'Interest expenses'; and
- separates in the statement of cash flows the total cash used to repay principal (represented in financing activities) and interest (represented in operating activities).

The right-to-use assets are tested for impairment in accordance with IAS 36 *Asset Impairment*.

For short-term leases (up to 12 months) and low-value leases of assets, the Bank recognizes lease expenses on a straight-line basis.

Lease incentive payments (for example, a free (grace) period) are recognized as part of the measurement of the right-of-use assets and the lease liabilities at initial recognition.

(f) Assets held for sale

Non-current assets and liabilities directly related to non-current assets are classified as held for sale ('disposal group') if it is likely that the current value of such assets will be recovered primarily through the sale of these assets, but not through their permanent use, as well as if such assets (or disposal group) may be disposed of in their current condition. The management must be committed to selling such assets within one year from a date these assets are classified as held for sale.

Assets held for sale are measured at the lower of their current and fair value, less selling expenses. In case the fair value of an asset held for sale, less selling expenses, is less than its current value, the entity must recognize the impairment loss in the statement of profit and losses as loss from assets held for sale. Any subsequent increase in the asset's fair value, less selling expenses, is recognized in the amount of the accumulated impairment loss previously recognized for those assets.

(g) Impairment of non-financial assets

Non-financial assets, other than deferred tax assets, are tested for impairment at each reporting date. The recoverable amount of non-financial assets is the higher of fair value less selling expenses and value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks incidental to the asset. For an asset that does not generate cash flows generated by other assets, the recoverable amount is determined by the group of cash generating assets to which the asset belongs. The impairment loss is recognized when the carrying amount of a cash-generating asset or group of cash-generating assets exceeds its recoverable amount.

All impairment losses of non-financial assets are recognized in profit or loss and are only reversed if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss of an asset is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount (less amortization) that would have occurred had the impairment loss not been reported in the financial statements.

(h) Provisions

A provision is reported in the statement of financial position when the Bank has a legal or reasonable liability as a result of past event and it is probable that an outflow of funds will be required to settle that liability. If the amount of such liability is significant, then provisions are determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market estimate of the time value of money and, where applicable, the risks incidental to the liability.

(i) Contingent credit liabilities

In the course of its current business activities, the Bank assumes contingent credit liabilities including undrawn credit facilities, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that oblige the Bank to make specified payments to compensate a holder of a financial guarantee for losses incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A liability under a financial guarantee is initially recognized at fair value less the associated transaction costs and subsequently measured at the higher of the amount initially recognized less accumulated depreciation or the provision for possible losses under the guarantee. Provisions for possible losses under financial guarantees and other credit liabilities are recognized when there is a high probability of occurrence of losses and such losses can be measured with a reasonable degree of reliability.

Liabilities under financial guarantees and provisions for other credit liabilities are included in other liabilities.

Lending liabilities are not recognized in the financial statements except for the following:

- commitments to grant loans, which the Bank defines as financial liabilities at fair value the changes in which are reported in profit or loss for the period;
- if the Bank has a past experience of selling the assets acquired in connection with loan commitments, shortly after they arise, similar to the loan commitments belonging to the same class of instruments that are considered as derivative financial instruments;

- loan commitments that are settled according to a contract on a net basis in cash or by transfer or issue of another financial instrument; or
- loan commitments at a rate below the market one.

(j) Share capital

(i) Ordinary shares

The ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognized as a decrease in equity less any tax effects.

(ii) Dividend

The ability of the Bank to declare and pay dividends is subject to the regulation of the effective legislation of the Republic of Kazakhstan.

Dividend on ordinary shares are recognized in the financial statements as a use of retained earnings when declared.

(k) Taxation

The income tax includes current tax and deferred tax. Income tax is recognized in profit or loss in full, with the exception of amounts relating to transactions recognized in other comprehensive income or transactions with owners recognized directly in equity, which, respectively, are reported in other comprehensive income or directly in equity.

Current income tax expenses are calculated based on the estimated taxable profit for the year taking into account the income tax rates in force at the reporting date, as well as the liabilities arising from the adjustment of income tax amounts for previous reporting years.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences arising between the carrying amount of assets and liabilities determined for the purposes of their presentation in the financial statements and their tax base. Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences: differences relating to assets and liabilities the initial recognition of which does not affect either accounting or taxable profit. The deferred tax assets and deferred tax liabilities are determined based on the tax rates that will apply in the future at the time of the reversal of the temporary differences, based on the laws in effect or substantially enacted at the reporting date.

The calculation of deferred tax assets and deferred tax liabilities reflects the tax implications that depend on the manner in which the Bank is going to recover or settle the carrying amount of assets and liabilities at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be generated in the future to cover the temporary differences, non-recorded tax expenses and unused tax benefits.

The deferred tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be used.

(l) Recognition of income and expenses in the financial statements

Interest income and expenses on all financial instruments, except for financial assets measured at fair value through profit or loss, are recognized in Net interest income as Interest income calculated using the effective interest method and Interest expenses in the statement of profit and losses using the effective interest method.

The effective interest rate is a rate that discounts the estimated future cash flows of a financial instrument to the net carrying amount over the expected life of a financial asset or liability or (if applicable) over a shorter period. Future cash flows are estimated taking into account all contractual conditions of the instrument.

If a financial asset or a group of financial assets has been written off (or partially written off) as a result of an impairment, interest income is determined using the interest rate used to discount future cash flows to calculate impairment losses to the net amortized cost of that financial asset. If default on a financial asset is liquidated and it is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Fee income is reported as a transfer of services to customers in an amount that reflects a consideration expected to be received in exchange for such services. The Bank defines a performance obligation id est the services agreed upon with a customer and a consideration, and recognizes income in accordance with the transfer of services, performance obligation agreed upon with the customer.

For each performance obligation identified, the Bank determines at the time of contract conclusion whether it fulfils performance obligation within specified time limit or at a specified point in time, and whether the consideration is fixed or variable, including the limitation of reimbursement, for example, by external factors not related to the influence of the Bank. The reimbursement is subsequently allocated to the identified performance obligation.

The other fees, as well as other income and expenses, are recognized in profit or loss on the date the related service is provided.

Payments under operating lease contracts are recognized in profit or loss for the period on a straight-line basis over the entire lease term. The amount of benefits received reduces the total lease expenses for entire lease term.

(m) Financial guarantee contracts

Financial guarantees or letters of credit provided by the Bank are collateral for credit transactions that provide for payment as compensation for a loss that is incurred if a debtor fails to make payment in due time in accordance with the original or modified terms of a debt instrument. Such financial guarantees or letters of credit are initially reported at fair value. Subsequently, they are measured on the basis of (a) the amount recognized as a provision and (b) the amount initially recognized, less, where applicable, accumulated amortization of deferred income in the form of a premium received under a financial guarantee or letters of credit, whichever is greater.

(n) Adoption of new and amended International Financial Reporting Standards (IFRSs)

The Bank has adopted for the first time certain standards and amendments that are effective for annual reporting periods beginning on or after 1 January 2023. The Bank has not early adopted standards, interpretations or amendments that have been issued but are not yet effective. The nature and impact of each amendment are described below:

The following amendments are effective for the period beginning on or after 1 January 2023:

- IFRS 17 *Insurance Contracts*
- Amendment to IAS 8 - *Definition of Accounting Estimates* (illustrations of changes in accounting policies and accounting estimates)
- Amendment to IAS 1 - Application of Materiality Judgements to Accounting Policy Disclosures
- Amendment to IAS 1 *Presentation of Financial Statements* - Classification of Current and Non-Current Liabilities
- Amendment to IAS 12 *Income Tax* - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* (hereinafter — IFRS 17), which replaced IFRS 4 *Insurance Contracts*, became effective as from 1 January 2023.

The conceptual difference of IFRS 17 is that this standard, unlike IFRS 4, does not provide a detailed method for assessing calculation parameters, but is based on the judgments and the actuary's own models when assessing insurance liabilities.

This standard is not applied to the Bank's activities.

Amendments to IFRSs mandatory in the financial statements for the annual period beginning on 1 January 2023:

Amendment to IAS 8 Definition of Accounting Estimates

The amendment amends IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is designed to clarify the distinction between accounting policies and accounting estimates and is effective for the annual periods beginning on 1 January 2023.

Additionally, the following indicators are given as examples of accounting estimates:

(thousand Kazakhstan tenge)

- allowance for expected credit losses (IFRS 9 *Financial Instruments*);
- net realizable value of a unit of inventory (IFRS 2 *Inventories*);
- fair value of an asset or liability (IFRS 13 *Fair Value Measurement*) (hereinafter - IFRS 13);
- expenses for depreciation of an item of property, plant and equipment (IAS 16 *Property, Plant and Equipment*) (hereinafter - IFRS 16); and
- provision for guarantee commitments (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

The standard establishes that a change in an accounting estimate can only affect the profit or loss of the current period or the profit or loss of both the current period and future periods.

The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods. Changes in accounting estimates are not changes in accounting policies.

Amendments to IAS 1 Presentation of Financial Statements

IFRS Practice Statement No. 2 *Making Materiality Judgements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* published in February 2021 and effective for the reporting periods beginning on or after 1 January 2023.

The amendments are intended to improve disclosures about accounting policies and to assist users of financial statements in distinguishing between changes in accounting estimates and changes in accounting policies.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendment issued in January 2020 amended paragraphs 69, 73, 74 and 76, and added paragraphs 72A, 75A, 76A and 76B of IAS 1. These amendments are to be applied to the annual periods beginning on or after 1 January 2023, retrospectively in accordance with IAS 8. Early application was permitted.

Amendment to IAS 12 Income Tax - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IAS 12 *Income Tax* published in May 2021 and effective for the reporting periods beginning on or after 1 January 2023.

The Board introduced these Amendments to reduce discrepancies in how entities account for deferred tax on transactions and events, such as leases and decommissioning liabilities, that result in initial recognition of both assets and liabilities.

The amendments narrow the scope of the exceptions to initial recognition under IAS 12 so that the exception no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that the deduction for tax purposes of payments to settle liabilities is a matter of judgment (in accordance with applicable tax laws) as to whether such deductions are consistent with tax purposes for liabilities recognized in the financial statements (and interest expense) or related asset (and interest expense).

This judgment is important in determining whether any temporary differences exist at the initial recognition of an asset and liability.

These amendments are intended to improve disclosure of accounting policies and assist users of financial statements in distinguishing between changes in accounting estimates and changes in accounting policies.

The Bank is currently assessing the impact these amendments may have on the disclosure of information about the Bank's accounting policies.

4. NET INTEREST INCOME

	2023	2022
Interest income		
Cash and cash equivalents	27,557,320	5,507,196
Loans granted to customers	6,184,613	2,848,561
Financial assets at amortized cost	28,408,008	2,434,609

(thousand Kazakhstan tenge)

Financial assets at fair value through other comprehensive income	15,032	52,435
Loans issued to banks	1,389	-
Accounts and deposits with banks	104,487	-
Total interest income	**62,270,849**	**10,842,801**
Interest expenses		
Current accounts and deposits of customers	(36,240,189)	(4,826,650)
Fee on loans	(1,701,249)	(1,240,003)
Liability on lease	(30,155)	(35,349)
Liabilities on REPO contracts	(68,271)	(2,760)
Accounts and deposits of banks	-	(119)
Total interest expense	**(38,039,864)**	**(6,104,881)**
Total net interest income	**24,230,985**	**4,737,920**

5. COMMISSION INCOME

	2023	2022
Transfer transactions	131,323	124,383
Cash transactions	20,216	23,276
Guarantees and letters of credit	2,848	1,767
Other	13,547	11,711
Total fee income	**167,934**	**161,137**

6. COMMISSION EXPENSES

	2023	2022
Obtained guarantees	109,404	164,973
Transfer transactions	44,510	39,413
Other	41,462	30,049
Total fee expenses	**195,376**	**234,435**

7. NET PROFIT FROM FOREIGN CURRENCY TRANSACTIONS

	2023	2022
Dealing transactions, net	2,657,992	475,837
Foreign exchange differences, net	41,921	130,704
Total net profit from foreign currency transactions	**2,699,913**	**606,541**

8. PERSONNEL EXPENSES

	2023	2022
Employee benefits	1,056,606	911,797
Taxes and withholdings from salary	106,785	90,117
Total personnel expenses	1,163,391	1,001,914

9. PROVISIONS FOR EXPECTED CREDIT LOSSES

	Cash and cash equivalents	Accounts and deposits with banks	Loans granted to customers	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other assets	Total
as of 1 January 2022	1,608	60	91,912	3,187	436	2,551	99,754
Forming provisions	24,665	33	207,983	8,841	56	5,671	247,249
Recovering provisions	(22,133)	(4)	(90,206)	(8,866)	(356)	(4,343)	(125,908)
Write-off	-	-	(22,928)	-	-	(1,682)	(24,610)

(thousand Kazakhstan tenge)

Foreign exchange difference	77	2	(947)	-	-	9	(859)
as of 31 December 2022	**4,217**	**91**	**185,814**	**3,162**	**136**	**2,206**	**195,626**
Forming provisions	68,316	116	265,097	57,855		4,473	395,857
Recovering provisions	(63,211)	(117)	(159,712)	(55,166)	(136)	(5,472)	(283,814)
Write-off	-	-	-	-	-	(482)	(482)
Foreign exchange difference	(111)	-	(35)	(4)	-	34	(116)
as of 31 December 2023	**9,211**	**90**	**291,164**	**5,847**	**-**	**759**	**307,071**

During 2023, provisions for contingent credit liabilities were formed in the amount of 25,355 thousand tenge and provisions were recovered in the amount of 23,071 thousand tenge (2022: formation of provisions in the amount of 23,433 thousand tenge and recovery of provisions in the amount of 28,150 thousand tenge).

(thousand Kazakhstan tenge)

Movements in accumulated provisions for expected credit losses on loans granted to customers are presented as follows:

	2023				2022			
Loans granted to customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balance as of 1 January	**11,785**	**654**	**173,375**	**185,814**	**13,058**	**2,689**	**76,165**	**91,912**
Reclassified as Stage 1	5	-	(5)	-	5	(5)	-	-
Reclassified as Stage 2	(582)	582	-	-	(109)	109	-	-
Reclassified as Stage 3	(144)	-	144	-	(554)	-	554	-
Net changes in provisions	(7,818)	920	(110,382)	(117,280)	(6,329)	(2,139)	81,196	72,728
Acquisition of new financial assets	8,547	-	214,118	222,665	6,661	-	15,460	22,121
Foreign exchange difference	(35)	-	-	(35)	(947)	-	-	(947)
Balance as of 31 December	**11,758**	**2,156**	**277,250**	**291,164**	**11,785**	**654**	**173,375**	**185,814**

Movements in accumulated provisions for expected credit losses for 2023 on financial assets are presented as follows:

	Financial assets at amortized cost	*Financial assets at fair value through other comprehensive income*	*Cash and cash equivalents*	*Accounts and deposits with banks*	*Other assets**	*Contingent credit liabilities*
2023	*Stage 1*	*Stage 1*	*Stage 1*	*Stage 1*	*Total*	*Total*
Balance as of 1 January	**3,162**	**136**	**4,217**	**91**	**2,206**	**2,645**
Reclassified as Stage 1	-	-	-	-	-	-
Reclassified as Stage 2	-	-	-	-	-	-
Reclassified as Stage 3	-	-	-	-	-	-
Net changes in provisions	(2,832)	(136)	(3,203)	(44)	(2,206)	(2,645)
Acquisition of new financial assets	5,517	-	8,197	43	725	4,929
Foreign exchange difference	-	-	-	-	34	-
Balance as of 31 December	**5,847**	-	**9,211**	**90**	**759**	**4,929**

Other assets*:
- net changes in provisions at Stage 1 - 69 thousand tenge, at Stage 2 - 482 thousand tenge, at Stage 3 - 1,655 thousand tenge, total - 2,206 thousand tenge,
- acquisition of new financial assets at Stage 1 - 125 thousand tenge, at Stage 2 - 600 thousand tenge, total - 725 thousand tenge.

(thousand Kazakhstan tenge)

Movements in accumulated provisions for expected credit losses for 2022 on financial assets are presented as follows:

	Financial assets at amortized cost	*Financial assets at fair value through other comprehensive income*	*Cash and cash equivalents*	*Accounts and deposits with banks*	*Other assets**	*Contingent credit liabilities*
2022	*Stage 1*	*Stage 1*	*Stage 1*	*Stage 1*	*Total*	*Total*
Balance as of 1 January	3,187	436	1,608	60	2,551	2,903
Reclassified as Stage 1	-	-	-	-	-	-
Reclassified as Stage 2	-	-	-	-	-	-
Reclassified as Stage 3	-	-	-	-	-	-
Net changes in provisions	(420)	(300)	(875)	29	(2,069)	(1,240)
Acquisition of new financial assets	395	-	3,407		1,715	982
Foreign exchange difference	-	-	77	2	9	-
Balance as of 31 December	3,162	136	4,217	91	2,206	2,645

Other assets*:
- net changes in provisions at Stage 1 - 508 thousand tenge, at Stage 3 - 1,561 thousand tenge, total - 2,069 thousand tenge,
- acquisition of new financial assets at Stage 1 - 69 thousand tenge, at Stage 3 - 1,646 thousand tenge, total - 1,715 thousand tenge.

(thousand Kazakhstan tenge)

10. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Depreciation and amortization	102,914	91,556
Taxes, fees and other compulsory payments	67,120	43,276
Communication services and information services	61,779	53,368
Software support	46,639	70,893
Operating expenses	30,051	26,714
Processing services	27,767	25,983
Membership fees	22,532	25,031
Professional services	21,385	27,176
Representation expenses	18,923	14,360
Travelling expenses	16,628	5,087
Insurance expenses	12,458	13,626
Transportation expenses	12,198	7,499
Expenses for operating lease	11,419	3,289
Security	8,527	7,513
Repair and maintenance	8,507	8,825
Office supplies	5,815	4,371
Advertisement and marketing	1,993	2,318
Writing off property, plant and equipment	1,430	14,657
Other	87,912	78,037
Total other general and administrative expenses	**565,997**	**523,579**

11. INCOME TAX RECOVERY/(EXPENSE)

The Bank makes tax calculations for the current period based on data of tax accounting records kept in accordance with the requirements of the tax laws of the Republic of Kazakhstan. Income tax expenses for the years ended 31 December 2023 and 2022 are shown below.

	2023	2022
Income tax recovery/(expense)		
Reporting period	-	(262,500)
Adjustment to prior period	12,644	6,513
Changes in deferred taxes resulting from occurrence and recovery of temporary differences	3,296	1,479
Total income tax recovery/(expense)	**15,940**	**(254,508)**

The income tax rate in the Republic of Kazakhstan was set at 20% during 2023 and 2022. Income on government securities and certain other securities is not subject to income tax.

Due to the fact that certain expenses are not accounted for tax purposes, as well as there is non-taxable income, the Bank has certain permanent tax differences.

Calculation of the effective income tax rate for the years ended 31 December 2023 and 2022:

	2023	2022
Profit before income tax	**25,201,765**	**3,625,853**
Income tax calculated in accordance with prevailing income tax rate	5,040,353	725,171
Non-taxable income from transactions with securities	(5,684,608)	(497,409)
Other non-deductible expenses/(income)	628,315	26,746
	(15,940)	254,508
Effective income tax rate	-0.1%	7.0%

Deferred tax assets and liabilities

The temporary differences arising between the value of assets and liabilities reported in the financial statements and the amounts used to calculate the tax base give rise to deferred tax assets as of 31 December 2023 and liabilities as of 31 December 2022.

The change in the amount of temporary differences for the years ended 31 December 2023 and 2022 can be presented as follows:

(thousand Kazakhstan tenge)

2023	Balance as of 1 January 2023	Reported in profit or loss	Reported in equity	Balance as of 31 December 2023
Property, plant and equipment, intangible assets and right-of-use assets	(12,892)	(15,267)	-	(28,159)
Other liabilities	57,864	18,563	-	76,427
	44,972	3,296	-	48,268

2022	Balance as of 1 January 2022	Reported in profit or loss	Reported in equity	Balance as of 31 December 2022
Property, plant and equipment, intangible assets and right-of-use assets	(32,459)	19,567	-	(12,892)
Other liabilities	75,952	(18,088)	-	57,864
	43,493	1,479	-	44,972

12. CASH AND CASH EQUIVALENTS

	31.12.2023	31.12.2022
Cash on hand	1,183,458	450,500
Nostro accounts with RK NB	943,194	6,947,850
Nostro accounts with other banks		
- having credit rating A- to A+	*8,007,882*	*4,057,612*
- having credit rating BB- to BB+	*132,433*	*93,900*
- having credit rating B-	-	-
- not rated	*46,829*	*124,509*
Total Nostro accounts with other banks	8,187,144	4,276,021
Cash equivalents		
Term deposits with RK NB	316,664,383	68,783,652
Term deposits with other banks	9,010,781	-
Provision for expected credit losses	(9,211)	(4,217)
Total cash and cash equivalents	335,979,749	80,453,806

The credit ratings are presented in accordance with the standards of the rating agency Standard & Poor's or similar standards of other international rating agencies.

Cash and cash equivalents are not past due.

Requirements for minimum reserves

As of 31 December 2023 and 31 December 2022, in accordance with the resolution of the RK NB, the minimum reserve requirements are calculated as the average of the sums of certain shares of various groups of liabilities of the Bank for twenty-eight calendar days. The banks are required to comply with these requirements by maintaining average reserve assets (in the form of cash on hand in national currency and balances on correspondent accounts of the Bank with the National Bank in national currency) in an amount equal to or exceeding the average minimum requirements. As of 31 December 2023, the minimum reserve amounts to 1,587,259 thousand tenge (31 December 2022: 2,586,018 thousand tenge).

Concentration of cash and cash equivalents

As of 31 December 2023, the Bank has three banks (31 December 2022: 2 banks) each holding more than 10% of the Bank's equity. The total balances of the indicated banks as of 31 December 2023 amount to 330,078,507 thousand tenge (31 December 2022: 79,789,114 thousand tenge).

(thousand Kazakhstan tenge)

13. ACCOUNTS AND DEPOSITS WITH BANKS

	31.12.2023	31.12.2022
Cash restricted in use	185,000	182,903
Provision for expected credit losses	(90)	(91)
Total accounts and deposits with banks	**184,910**	**182,812**

As of 31 December 2023 and 31 December 2022, accordingly, the Bank had no deposits that would exceed 10% of the Bank's equity.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2023, the Bank does not have financial assets reported at fair value through other comprehensive income. As of 31 December 2022, the Bank owned debt financial instruments - Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 970,269 thousand tenge. These assets were not past due.

15. LOANS GRANTED TO CUSTOMERS

	31.12.2023	31.12.2022
Loans granted to corporate customers		
- Loans granted to large-scale businesses	*6,978,987*	*-*
- Loans granted to small and medium-sized businesses	*31,619,646*	*13,912,143*
Total loans granted to corporate customers	**38,598,633**	**13,912,143**
Provision for impairment	(285,658)	(183,660)
Total loans granted to corporate customers, subject to provision for impairment	**38,312,975**	**13,728,483**
Loans granted to retail customers		
- Consumer credits	*9,807,648*	*8,698,559*
Total loans granted to retail customers	**9,807,648**	**8,698,559**
Provision for impairment	(5,506)	(2,154)
Total loans granted to retail customers, subject to provision for impairment	**9,802,142**	**8,696,405**
Total loans granted to customers less provision	**48,115,117**	**22,424,888**

(a) Quality of loans granted to customers

The table below provides information on quality of loans granted to customers as of 31 December 2023:

	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Loss from impairment to total loans before provision for impairment
Loans granted to corporate customers				
- undue	*37,843,886*	*(11,801)*	*37,832,085*	-
- past due less than 90 days	*146,523*	*(29,490)*	*117,033*	-
- past due more than 90 days	*608,224*	*(244,367)*	*363,857*	-
Total loans granted to corporate customers	**38,598,633**	**(285,658)**	**38,312,975**	-
Loans granted to retail customers				

- undue	*9,765,968*	*(5,180)*	*9,760,788*	-
- past due less than 90 days	*10,970*	*(4)*	*10,966*	-
- past due more than 90 days	*30,710*	*(322)*	*30,388*	-
Total loans granted to retail customers	**9,807,648**	**(5,506)**	**9,802,142**	-

The table below provides information on quality of loans granted to customers as of 31 December 2022:

	Loans before provision for impairment	Provision for impairment	Loans less provision for impairment	Loss from impairment to total loans before provision for impairment
Loans granted to corporate customers				
- undue	*13,647,947*	*(26,562)*	*13,621,385*	-
- past due less than 90 days	*107,098*	-	*107,098*	-
- past due more than 90 days	*157,098*	*(157,098)*	-	-
Total loans granted to corporate customers	**13,912,143**	**(183,660)**	**13,728,483**	-
Loans granted to retail customers				
- undue	*8,643,076*	*(1,912)*	*8,641,164*	-
- past due less than 90 days	*47,663*	*(242)*	*47,421*	-
- past due more than 90 days	*7,820*	-	*7,820*	-
Total loans granted to retail customers	**8,698,559**	**(2,154)**	**8,696,405**	-

In 2023, the provision for impairment includes formation of provisions for individually measured loans in the amount of 276,124 thousand tenge (31 December 2022: 172,849 thousand tenge), provision for collective impairment in the amount of 15,040 thousand tenge (31 December 2022: 12,965 thousand tenge).

As of 31 December 2023, the loan portfolio has included the loans granted to corporate and retail customers the terms of which have been changed and which would otherwise be past due or impaired amount to 835,382 thousand tenge (31 December 2022: 1,172,333 thousand tenge).

(b) Estimates of expected credit losses

For issued loans, the calculation of expected credit losses takes into account the possible estimated effect of changes in macroeconomic parameters on forecast cash flows, migration of collective loans and collateral coverage.

When measuring the level of credit losses, the Bank uses sound forward-looking information, which is based on assumptions about the future movement of various economic factors and how these factors will affect each other.

The key inputs used to estimate expected credit losses include the following:

- Probability of default (PD) is a key input in measuring the level of credit losses. The probability of default is an estimate over a given time horizon the calculation of which includes historical data, assumptions and expectations of future conditions.

The probability of default on individual loans of corporate, small and medium-sized businesses is assessed using an internal rating model based on the quantitative and qualitative characteristics of a borrower. The probability of default on loans granted that are measured on a collective basis is calculated on the basis of historical data by applying the migration matrices.

- Loss given default (LGD) is an estimate of the loss that will arise in case of default. It is based on a difference between the cash flows due under the contract and those that a lender would expect to receive taking into account the cash flows from the collateral.

The LGD for loans granted that are measured on a collective basis is calculated on the basis of an assessment of the recoverability of liabilities in the event of disposal of a collateral using discount periods corresponding to the terms of disposal of collateral.

(thousand Kazakhstan tenge)

- The amount of a credit exposure at risk of default (EAD) is an estimate of risk at a future date of default taking into account expected changes in risk after the reporting date, including repayments of principal and interest, as well as expected drawdowns of approved credit funds. The Bank's approach to modelling this indicator takes into account the expected changes in the outstanding amount during the maturity period that are permitted by the current contractual terms such as amortization profiles, prepayments or overpayments, changes in the use of undrawn amounts on credit liabilities, and measures taken to mitigate risks before the default. To assess credit exposures at risk of default, the Bank uses models that reflect the characteristics of the respective portfolios.

The ECL provisions for loans granted in the financial statements have been determined based on the prevailing economic and political conditions. The Bank cannot predict what changes in conditions will occur in the Republic of Kazakhstan and what effect these changes will have on the adequacy of provisions for ECLs of financial assets in future periods.

(c) Analysis of collateral and other credit enhancements

(i) Loans granted to corporate customers

The loans granted to corporate customers are subject to individual measurement and impairment testing. The overall creditworthiness of a corporate customer is usually the most important indicator of the quality of the loan granted to it. However, the collateral means additional guarantees, and the Bank usually asks corporate borrowers to provide the same.

The tables below provide information on collateral and other credit enhancements for loans to corporate customers by type of collateral:

31 December 2023	Carrying amount of loans granted to customers	Fair value of collateral measured at the reporting date	Fair value of collateral measured at a date of loan issuance	Not measured fair value of collateral
Loans with no individual indicators of impairment				
Corporate guarantees (provided by related parties having credit rating of A- or higher)	28,919,996	-	-	28,919,996
Other guarantees (provided by companies having credit rating of A or higher)				
Immovable property	3,763,434	3,763,434	-	-
Cash and deposits	20,003	20,003	-	-
Other collateral	4,570,648	-	4,570,648	-
	37,274,081	3,783,437	4,570,648	28,919,996
Loans with individual indicators of impairment				
Corporate guarantee (provided by related party having credit rating of A- to A+)				
Immovable property	585,910	585,910	-	-
Other collateral	452,984		452,984	-
	1,038,894	585,910	452,984	-
Total loans granted to corporate customers	**38,312,975**	**4,369,347**	**5,023,632**	**28,919,996**

(thousand Kazakhstan tenge)

31 December 2022	Carrying amount of loans granted to customers	Fair value of collateral measured at the reporting date	Fair value of collateral measured at a date of loan issuance	Not measured fair value of collateral
Loans with no individual indicators of impairment				
Corporate guarantees (provided by related parties having credit rating of A- or higher)	4,828,683	-	-	4,828,683
Other guarantees (provided by companies having credit rating of A or higher)	-	-	-	-
Immovable property	2,727,858	2,727,858	-	-
Cash and deposits	52,940	52,940	-	-
Other collateral	4,250,752	-	4,250,752	-
	11,860,233	2,780,798	4,250,752	4,828,683
Loans with individual indicators of impairment				
Corporate guarantee (provided by related party having credit rating of A- to A+)	231,698	-	-	231,698
Immovable property	183,572	183,572	-	-
Other collateral	1,452,980	-	1,452,980	-
	1,868,250	183,572	1,452,980	231,698
Total loans granted to corporate customers	13,728,483	2,964,370	5,703,732	5,060,381

The tables above exclude the cost of overcollateralization.

Because the ability to recover undue and non-impaired loans granted to corporate customers depends in a greater degree on the creditworthiness of a borrower than on the value of collateral, the Bank does not always estimate the value of collateral at each reporting date.

For most loans, the fair value of the collateral was measured at the reporting date. Information about the value of collateral is presented depending on the date on which it was measured, if such a measurement is made.

For loans with several types of collateral, information is disclosed by the type of collateral that is the most significant for collateral measurement.

(ii) Loans granted to retail customers

The loans granted to retail customers are mainly collaterized with residential properties. According to the Bank's policy, the ratio between the loan amount and the value of the collateral on the date of loan issuance should be limited to 60%.

The tables below provide information on the collateral of loans granted to retail customers:

	Carrying amount of loans granted to customers	Fair value of collateral - for collateral measured at the reporting date	Fair value of collateral - for collateral measured at a date of loan issuance	Not measured fair value of collateral
31 December 2023				
Undue	9,760,788	9,760,788	-	-
Overdue	41,354	41,354	-	-
Total loans granted to retail customers	9,802,142	9,802,142	-	-
31 December 2022				
Undue	8,641,164	8,641,164	-	-
Overdue	55,241	55,241	-	-

(thousand Kazakhstan tenge)

Total loans granted to retail customers	**8,696,405**	**8,696,405**	**-**	**-**

The tables above exclude the cost of overcollateralization.

(d) Analysis of loan portfolio by branches of economy and geographical areas

The loans were granted mainly to customers conducting activities in the Republic of Kazakhstan in the following sectors of the economy:

	31.12.2023	31.12.2022
Loans granted to retail customers	9,802,142	8,696,405
Finances	29,253,535	5,050,816
Trade	1,942,538	1,888,756
Warehousing and auxiliary transportation activities	283,862	726,187
Provision of individual services	795,004	902,366
Construction	615,015	714,963
Other professional, scientific and technical activities	407,582	680,186
Lease and hiring	257,891	317,505
Immovable property	833,792	780,245
Transport vehicles	305,640	450,975
Advertising activities	175,827	216,810
Specialized construction works	149,968	66,409
Food stuff production	143,834	212,521
Printing and reproducing recorded materials	1,171	3,005
Other	3,147,316	1,717,739
Total loans granted to corporate customers	**48,115,117**	**22,424,888**

(e) Concentration of loans granted to customers

As of 31 December 2023, the Bank has three borrowers whose loan balances exceed 10% of equity (31 December 2022: one borrower). The total balances on loans of the specified borrower as of 31 December 2023 amount to 28,919,996 thousand tenge (31 December 2022: 3,420,403 thousand tenge).

16. FINANCIAL ASSETS AT AMORTIZED COST

	31.12.2023	31.12.2022
Held by the Bank		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	*17,569,375*	*7,120,971*
- Notes of the National Bank of the Republic of Kazakhstan	*70,544,158*	*13,789,861*
Provision for expected credit losses	(5,847)	(3,162)
Total financial assets at amortized cost	**88,107,686**	**20,907,670**

The full amount of investments held to maturity is represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan in the tenge and having the credit rating of BBB-.

In accordance with the Bank's investment policy and business model, the management has the intent and ability to hold these securities to maturity. Officially published price quotations for similar debt securities with identical terms are available on the local stock exchange.

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

The probability of default on treasury transactions is determined according to the data of Default Study from the international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of default probabilities. Default probabilities are kept up to date and updated from time to time as default statistics are updated.

(thousand Kazakhstan tenge)

The level of loss given default (LGD) for treasury transactions is determined according to the data of the Default Study from the international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on a financial asset: senior secured/unsecured, subordinated, sovereign. LGD can also be adjusted if the asset is secured, as well as if there are indicators of impairment of a financial asset (Stage 2 or Stage 3).

17. NON-CURRENT ASSETS HELD FOR SALE

As of 31 December 2023, the carrying amount of non-current assets held for sale amounted to 155,691 thousand tenge (31 December 2022: 155,691 thousand tenge). According to the assessment of an independent appraiser, at the end of 2023, the market value of non-current assets held for sale amounted to 340,606 thousand tenge (at the end of 2022: 359,862 thousand tenge). Non-current assets held for sale are assets that the Bank has accepted as repayment of debts on loans granted to customers. The Bank has developed an implementation plan based on which the disposal of assets is planned within the next 12 months. Non-current assets held for sale were recorded at the acquisition cost determined at the time of the auction.

18. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

The Bank leases an office on the basis of a lease contract without the right to early termination. The term of the lease is 60 months, with the option of extending the lease term. Lease contracts do not include provisions for contingent lease payment. The carrying amount of right-of-use assets of the Bank for the year ended 31 December 2023 amounted to 177,133 thousand tenge (31 December 2022: 222,177 thousand tenge). Amortization of the right-of-use assets for the year ended 31 December 2023 included in amortization in the statement of profit or loss and other comprehensive income amounted to 66,690 thousand tenge (2022: 52,087 thousand tenge). When calculating liabilities on lease, an assumption was used at a discount rate of 12.00%.

Future undiscounted lease payments payable under long-term leases by maturity are presented as follows:

	31.12.2023	31.12.2022
Up to 12 months	120,481	109,389
1-5 years	160,641	255,242
Total	**281,122**	**364,631**

(thousand Kazakhstan tenge)

18. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Computers	Transport vehicles	Land, buildings and structures	Other	Intangible assets	Right-of-use assets	Total
Actual costs							
Balance as of 1 January 2022	**141,120**	**15,990**	**51,998**	**69,883**	**114,523**	**351,918**	**745,432**
Receipts	9,559	-	-	4,282	1,496	48,646	63,983
Disposals	(1,305)	-	-	(3,033)	(31,457)	-	(35,795)
Balance as of 31 December 2022	**149,374**	**15,990**	**51,998**	**71,132**	**84,562**	**400,564**	**773,620**
Depreciation and amortization							
Balance as of 1 January 2022	(68,747)	(910)	(1,603)	(47,125)	(47,211)	(126,301)	(291,897)
Depreciation and amortization charged for the year	(13,957)	(1,441)	(9,204)	(4,321)	(10,546)	(52,087)	(91,556)
Disposals	1,121	-	-	2,573	17,444	-	21,138
Balance as of 31 December 2022	**(81,583)**	**(2,351)**	**(10,807)**	**(48,873)**	**(40,313)**	**(178,388)**	**(362,315)**
Carrying amount as of 31 December 2022	**67,791**	**13,639**	**41,191**	**22,259**	**44,249**	**222,176**	**411,305**
Actual costs							
Balance as of 1 January 2023	**149,374**	**15,990**	**51,998**	**71,132**	**84,562**	**400,564**	**773,620**
Receipts	60,924	17,990	-	13,737	29,459	21,647	143,757
Disposals	(4,002)	-	-	(3,068)	(1,514)	-	(8,584)
Balance as of 31 December 2023	**206,296**	**33,980**	**51,998**	**81,801**	**112,507**	**422,211**	**908,793**
Depreciation and amortization							
Balance as of 1 January 2023	(81,583)	(2,351)	(10,807)	(48,873)	(40,313)	(178,388)	(362,315)
Depreciation and amortization charged for the year	(13,198)	(1,601)	(7,523)	(4,676)	(9,226)	(66,690)	(102,914)
Disposals	3,379	-	-	2,558	1,218	-	7,155
Balance as of 31 December 2023	**(91,402)**	**(3,952)**	**(18,330)**	**(50,991)**	**(48,321)**	**(245,078)**	**(458,074)**
Carrying amount as of 31 December 2023	**114,894**	**30,028**	**33,668**	**30,810**	**64,186**	**177,133**	**450,719**

(thousand Kazakhstan tenge)

19. OTHER ASSETS

	31.12.2023	31.12.2022
Spot transaction claims	327,152	138,795
Charged penalties and fines	129,352	5,159
Settlement of payments on card accounts	78,626	55,272
Other assets	5,290	3,804
Provision for expected credit losses	(159)	(1,724)
Total other financial assets	**540,261**	**201,306**
Fee for software	92,409	-
Prepaid lease	31,505	30,224
Security deposit	26,637	24,117
Other prepayments	8,193	6,511
Deferrals	6,301	6,287
Other taxes prepaid in budget	6,136	3,596
Receivables from employees	2,378	2,412
Other assets	21,124	12,711
Provision for expected credit losses	(600)	(482)
Total other non-financial assets	**194,083**	**85,376**
Total other assets	**734,344**	**286,682**

20. ACCOUNTS AND DEPOSITS OF BANKS

	31.12.2023	31.12.2022
Vostro accounts	348,438	79,509
Total accounts and deposits of banks	**348,438**	**79,509**

As of 31 December 2023 and 31 December 2022, accordingly, the Bank had no deposits with banks exceeding 10% of the Bank's equity.

21. CURRENT ACCOUNTS AND DEPOSITS OF CUSTOMERS

	31.12.2023	31.12.2022
Current accounts and deposits on demand		
- Retail customers	*2,127,277*	*3,166,024*
- Corporate customers	*8,787,904*	*21,741,434*
Total current accounts and deposits on demand	**10,915,181**	**24,907,458**
Term deposits		
- Retail customers	*6,417,251*	*8,320,192*
- Corporate customers	*402,703,003*	*49,400,162*
Total term deposits	**409,120,254**	**57,720,354**
Total current accounts and deposits of customers	**420,035,435**	**82,627,812**

Blocked amounts

As of 31 December 2023, the deposits of the Bank's customers in the amount of 115,522 thousand tenge (31 December 2022: 60,612 thousand tenge) serve as collateral for liabilities on loans granted to customers and off-balance credit instrument provided by the Bank.

Concentration of current accounts and deposits of customers

As of 31 December 2023, the Bank has three customers (31 December 2022: six), whose accounts and deposits exceed 10% of equity. The total balance as of 31 December 2023 amounted to 386,915,568 thousand tenge (31 December 2022: 61,682,716 thousand tenge).

(thousand Kazakhstan tenge)

22. LOANS FROM BANKS

In December 2022, in accordance with Master Agreement No. 1 dated 22.12.2008 made with Shinhan Bank JSC (Seoul, Republic of Korea), the Bank obtained short-term loans:

- 10,000,000 US dollars maturing on 02.02.2023 at fixed interest rate of 4.35%; and
- 20,000,000 US dollars maturing on 27.02.2023 at fixed interest rate of 4.65%.

	31.12.2023	31.12.2022
Balance at the beginning of the year	**13,888,271**	-
Receipts	(14,040,750)	13,833,000
Other changes	152,479	55,271
Total loans from banks	-	**13,888,271**

23. LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS

	31.12.2023	31.12.2022
Loan from EBRD	7,023,267	8,230,594
Total loans from international financial organizations	7,023,267	8,230,594

In 2016, the Bank entered into 2 loan agreements with the European Bank for Reconstruction and Development, which were repaid as of 31.12.2023:

- Loan Agreement No. 47953 dated 28.06.2016 for the support of small and medium-sized businesses in the tenge in the amount equivalent to 15,000,000 US dollars, maturing on 25.01.2023; and
- Loan Agreement No. 47954 dated 28.06.2016 for the development of 'Women in Business' project in the tenge in the amount equivalent to 5,000,000 US dollars, maturing on 25.01.2023.

Each loan agreement provides for two tranches. In accordance with the terms of the loan agreement, it is possible to receive each tranche in two instalments. The first tranche and the first instalment of the second tranche were received during 2017 in the tenge, the remaining portion was received in 2018.

In 2020, the Bank signed 2 more loan agreements with the European Bank for Reconstruction and Development:

- Loan Agreement No. 50791 dated 13.02.2020 for the support of small and medium-sized businesses in the tenge in the amount equivalent to 10,000,000 US dollars, with a maturity of the first tranche until 29.09.2025, second tranche - until 29.04.2027; and
- Loan Agreement No. 50792 dated 13.02.2020 for the development of 'Women in Business' project in the tenge in the amount equivalent to 5,000,000 US dollars, with a maturity date of the first tranche until 29.09.2025, second tranche - until 29.04.2027.

The first tranche was received in 2020 and the second tranche - in 2022.

In 2021, the Bank signed 1 more loan agreement with the European Bank for Reconstruction and Development:

- Loan Agreement No. 52817 dated 10.12.2021 under the Green Economy Financing Facility (GEFF) program in the tenge in the amount equivalent to 5,000,000 US dollars, maturing on 24.06.2027.

The full amount was received during 2022 in the tenge.

Interest on the loan is charged at a floating rate and is paid on a quarterly basis in accordance with the terms of the agreement. At the end of the reporting period, the interest rate under the Loan Agreements dated 28.06.2016 was 19.75%, and under the Loan Agreements dated 13.02.2020 it was 20.75%, and under the Loan Agreements dated 10.12.2021 it was 22.65%.

The Bank is obliged to comply with certain financial obligations to comply with the terms of the fundraising agreements presented above. These obligations include stipulated ratios used for financial performance. The Bank did not violate any of these obligations as of 31 December 2023 and 2022.

(thousand Kazakhstan tenge)

Movements of liabilities due to financing activities

The table below shows the changes in liabilities as a result of financial activities, including both changes due to cash flows and changes not related to cash flows. Liabilities due to financing activities are those liabilities the cash flows of which have been or will be classified as cash flows from financing activities in the statement of cash flows.

	2023	2022
Balance at the beginning of the year	**8,230,594**	**4,797,176**
Disposal	(1,185,988)	(2,196,758)
Receipt	-	5,582,600
Other changes	(21,339)	47,576
Balance at the end of the year	**7,023,267**	**8,230,594**

* Other changes include interest expenses and paid interest.

24. OTHER LIABILITIES

	31.12.2023	31.12.2022
Liabilities on lease	244,500	296,796
Liabilities on sport transactions	329,000	138,624
Payables from suppliers	70,649	84,706
Banking transactions payable	11,920	34,210
Other liabilities	5,307	3,169
Total other financial liabilities	**661,376**	**557,505**
Settlement of taxes and other compulsory payments in budget	409,056	125,910
Payables to employees	92,637	58,822
Provision for leaves	39,442	36,130
Other transit accounts	68,834	33,807
Other liabilities	8,737	2,845
Total other non-financial liabilities	**618,706**	**257,514**
Total other liabilities	**1,280,082**	**815,019**

25. SHARE CAPITAL

(a) Issued and additional paid-up capital

The authorized, issued and outstanding share capital of the Bank consists of 1,002,872 ordinary shares (2022: 1,002,872 ordinary shares). A par value of all shares amounts to 10,000 tenge.

Holders of ordinary shares are entitled to receive dividends as they are declared, as well as they have the right to one vote per share at annual and general meetings of shareholders of the Bank.

(b) Earnings per share

	31.12.2023	31.12.2022
Net earnings for the year	25,217,705	3,371,345
Quantity of issued ordinary shares	1,002,872	1,002,872
Earnings per share		
Basic and diluted earnings per share, tenge	**25,145.49**	**3,361.69**

The Bank's ordinary shares are not traded in public market, however, the Bank has independently chosen to disclose information on the net earnings per share calculated in accordance with the requirements of IAS 33 *Earnings per Share*.

(c) Provision for revaluation of financial assets at fair value through other comprehensive income that are available for sale

Provision for revaluation of financial assets available for sale includes accumulated net change in fair value until derecognition.

(d) Dividend

The Bank's ability to declare and pay dividends is determined in accordance with the requirements of the legislation of the Republic of Kazakhstan.

Dividend on ordinary shares is recognized as a distribution of retained earnings for the period for which it is accrued. At the time of issue of the financial statements for 2023, no dividend has been declared yet (2022: no dividend has been declared).

26. RISK MANAGEMENT

Risk management underlies banking activities and is an essential element of the operating activities of the Bank. Market risk, credit risk and liquidity risk are the main risks that the Bank faces in the course of its activities.

(a) Risk management policies and procedures

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

The Board of Directors of the Bank is responsible for the proper functioning of the risk management control system, for managing key risks and approving risk management policies and procedures, as well as for approving major transactions.

The Management Board of the Bank is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank conducts activities within established risk limits. The Management Board of the Bank is responsible for overall risk management and control of compliance with the requirements of the current legislation, as well as overseeing the application of general principles and methods for identifying, assessing, managing and reporting both financial and non-financial risks.

Credit and market risks and liquidity risk are managed and controlled by the Credit Committee and the Committee for Assets and Liabilities Management (CALM) both at the level of the portfolio as a whole and at the level of individual transactions.

Both external and internal risk factors are identified and managed within the organization. Particular attention is paid to identifying the entire list of risk factors and determining the level of sufficiency of current risk minimization procedures.

In addition to the standard analysis of credit and market risks, the Management Board of the Bank monitors financial and non-financial risks by holding regular meetings with operating units in order to obtain an expert opinion on individual management Boards.

(b) Market risk

Market risk is the risk of changes in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk consists of foreign exchange risk, interest rate risk, as well as other price risks. Market risk arises from open positions in interest, currency and equity financial instruments that are affected by general and specific market movements and changes in the level of market price volatility.

The objective of market risk management is to manage and control that exposure to market risk does not go beyond acceptable parameters, while ensuring the optimization of the return received for the risk taken. The CALM headed by the Chairman is responsible for managing market and liquidity risks. The CALM approves market and liquidity risk limits based on recommendations from the Risk Management Division.

The Bank manages market risk by setting limits on the open position in relation to the amount of the portfolio for individual financial instruments, the timing of changes in interest rates, currency position, loss limits and regular monitoring of their compliance with the results to be reviewed and approved by the Management Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will change due to changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margin, but may also reduce it, or, in the event of an unexpected change in interest rates, lead to losses.

Interest rate risk is primarily managed by monitoring changes in interest rates.

(thousand Kazakhstan tenge)

Analysis of timing to review interest rates

Interest rate risk is primarily managed by monitoring changes in interest rates. Brief information regarding the timing to review the interest rates for major interest-bearing financial instruments as of 31 December 2023 can be presented as follows:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Interest-free	Total
ASSETS							
Cash and cash equivalents	325,666,988	-	-	-	-	10,312,761	335,979,749
Accounts and deposits with banks	-	-	-	-	-	184,910	184,910
Loans granted to customers	615,004	2,279,640	22,442,744	16,143,616	6,634,113	-	48,115,117
Financial assets at amortized cost	72,684,315	7,150,279	3,457,925	4,815,168	-	-	88,107,686
Total assets	**398,966,307**	**9,429,919**	**25,900,669**	**20,958,784**	**6,634,113**	**10,497,671**	**472,387,462**
LIABILITIES							
Accounts and deposits of banks	-	-	-	-	-	348,438	348,438
Current accounts and deposits of customers	382,442,312	11,034,379	16,888,761	24,991	-	9,644,991	420,035,435
Loans from international financial institutions	89,999	4,618,783	2,314,485	-	-	-	7,023,267
Total liabilities	**382,532,311**	**15,653,162**	**19,203,246**	**24,991**	**-**	**9,993,429**	**427,407,140**
Total net position	**16,433,996**	**(6,223,244)**	**6,697,423**	**20,933,793**	**6,634,113**	**504,242**	**44,980,322**

(thousand Kazakhstan tenge)

Brief information regarding the timing to review the interest rates for major interest-bearing financial instruments as of 31 December 2022 can be presented as follows:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Interest-free	Total
ASSETS							
Cash and cash equivalents	68,777,089	-	-	-	-	11,676,717	80,453,806
Accounts and deposits with banks	-	-	-	-	-	182,812	182,812
Financial assets at fair value through other comprehensive income	-	-	34,939	935,330	-	-	970,269
Loans granted to customers	280,609	1,059,418	8,069,841	6,958,535	6,056,485	-	22,424,888
Financial assets at amortized cost	-	-	17,434,101	3,473,569	-	-	20,907,670
Total assets	**69,057,698**	**1,059,418**	**25,538,881**	**11,367,434**	**6,056,485**	**11,859,529**	**124,939,445**
LIABILITIES							
Accounts and deposits of banks	-	-	-	-	-	79,509	79,509
Current accounts and deposits of customers	34,200,985	16,754,575	8,127,974	-	-	23,544,278	82,627,812
Loans from international financial institutions	343,110	5,577,912	2,309,573	-	-	-	8,230,594
Loans from banks	-	13,888,271	-	-	-	-	13,888,271
Total liabilities	**34,544,095**	**36,220,758**	**10,437,547**	**-**	**-**	**23,623,787**	**104,826,186**
Total net position	**34,513,603**	**(35,161,304)**	**15,101,334**	**11,367,434**	**6,056,485**	**(11,764,258)**	**20,113,259**

(thousand Kazakhstan tenge)

Average effective interest rates

The following table presents average effective interest rates for interest-bearing assets and liabilities as of 31 December 2023 and 2022:

	2023 Average effective interest rate, %		2022 Average effective interest rate, %	
	Tenge	US dollar	Tenge	US dollar
Interest-bearing assets				
Cash and cash equivalents	15.68	2.58	15.54	3.34
Accounts and deposits with banks	14.09	-		
Financial assets at fair value through other comprehensive income	-	-	3.42	-
Loans granted to customers	18.55	6.6	16.25	4.17
Financial assets at amortized cost	14.64	-	12.64	-
Interest-bearing liabilities				
Current accounts and deposits of banks			-	-
- Term deposits	10.96	0.50	10.97	0.56
Loans from international financial organizations	12.88		12.31	-
Loans from banks	-	-	-	4.55

Analysis of sensitivity to changes in interest rates

Interest rate risk management based on interest rate review timing is complemented by sensitivity monitoring of financial assets and liabilities. The analysis of sensitivity of net income or loss and equity of the Bank (less taxes) to changes in interest rates (interest rate review risk) based on a simplified scenario of a parallel shift of yield curves by 100 basis points towards increasing or decreasing interest rates and renegotiated positions on interest-bearing assets and liabilities effective as of 31 December 2023 and 2022 can be presented as follows:

	2023		2022	
	Profit or loss	Equity	Profit or loss	Equity
100 basis point parallel shift toward decreasing rates	(104,598)	-	(75,588)	(2,615)
100 basis point parallel shift toward increasing rates	104,598	-	75,588	(3,277)

The analysis of sensitivity of profit or loss and equity to changes in fair value of financial assets at fair value through other comprehensive income/available for sale due to changes in interest rates (based on positions effective as of 31 December 2023 and 2022 and a simplified scenario of a 100 basis point parallel shift of yield curves toward increasing or decreasing interest rates) can be presented as follows:

	2023		2022	
	Profit or loss	Equity	Profit or loss	Equity
100 basis point parallel shift toward decreasing rates	-	-	-	2,615
100 basis point parallel shift toward increasing rates	-	-	-	(3,277)

(ii) *Foreign exchange risk*

The Bank has assets and liabilities denominated in several foreign currencies.

Foreign exchange risk is the risk of a change in the fair value or future cash flows of a financial instrument due to changes in the currency exchange rates. Despite the fact that the Bank hedges its exposure to foreign exchange risk, such transactions do not match the definition of a hedging relationship in accordance with the IFRSs.

The structure of financial assets and liabilities in terms of currency as of 31 December 2023 can be represented as follows:

(thousand Kazakhstan tenge)

	Tenge	US dollar	Euro	Russian rouble	Other	Total
ASSETS						
Cash and cash equivalents	317,712,280	18,031,169	205,666	30,381	253	335,979,749
Accounts and deposits with banks	184,910	-	-	-	-	184,910
Loans granted to customers	47,948,060	167,057	-	-	-	48,115,117
Financial assets at amortized cost	88,107,686	-	-	-	-	88,107,686
Other financial assets	205,410	325,895	-	-	8,956	540,261
Total assets	**454,158,346**	**18,524,121**	**205,666**	**30,381**	**9,209**	**472,927,723**
LIABILITIES						
Accounts and deposits of banks	23,159	323,529	1,750	-	-	348,438
Current accounts and deposits of customers	401,409,692	18,393,602	203,057	29,084	-	420,035,435
Loans from international financial organizations	7,023,267	-	-	-	-	7,023,267
Other financial liabilities	611,177	50,116	83	-	-	661,376
Total liabilities	**409,067,295**	**18,767,247**	**204,890**	**29,084**		**428,068,516**
Net position	**45,091,051**	**(243,126)**	**776**	**1,297**	**9,209**	**44,859,207**

The structure of financial assets and liabilities in terms of currency as of 31 December 2022 can be represented as follows:

	Tenge	US dollar	Euro	Russian rouble	Other	Total
ASSETS						
Cash and cash equivalents	35,896,621	44,317,367	227,559	11,998	261	80,453,806
Accounts and deposits with banks	94,908	87,904	-	-	-	182,812
Financial assets at FVTOCI	970,269	-	-	-	-	970,269
Loans granted to customers	22,014,114	410,774	-	-	-	22,424,888
Financial assets at amortized cost	20,907,670	-	-	-	-	20,907,670
Other financial assets	54,645	146,661	-	-	-	201,306
Total assets	**79,938,227**	**44,962,706**	**227,559**	**11,998**	**261**	**125,140,751**
LIABILITIES						
Accounts and deposits of banks	41,663	33,723	4,123	-	-	79,509
Current accounts and deposits of customers	51,306,289	31,059,071	250,028	12.424	-	82,627,812
Loans from international financial organizations	8,230,594	-	-	-	-	8,230,594
Loans from banks	-	13,888,271	-	-	-	13,888,271
Other financial liabilities	491,762	65,661	82	-	-	557,505
Total liabilities	**60,070,308**	**45,046,726**	**254,233**	**12,424**	**-**	**105,383,691**
Net position	**19,867,919**	**(84,020)**	**(26,674)**	**(426)**	**261**	**19,757,060**

The impact on pre-tax profit and equity based on the value of financial assets is calculated using exchange rate volatility analysis. As of 31 December 2023 and 31 December 2022, according to the management of the Bank, the possible movement of the currency rate is 15%.

A depreciation of the tenge as shown below against the currencies shown as of 31 December 2023 and 2022 would increase (decrease) equity and profit or loss by the amounts shown below. This analytical information is presented less tax and is based on fluctuations in currency exchange rates, which the Bank considered as reasonably possible at the end of the reporting period. The analysis was carried out on the assumption that all other variables, in particular interest rates, remain unchanged.

(thousand Kazakhstan tenge)

	2023		2022	
	Profit or loss	Equity	Profit or loss	Equity
15% increase in US dollar/tenge rate	(29,175)	(29,175)	(10,082)	(10,082)
15% increase in Euro/tenge rate	93	93	(3,201)	(3,201)
15% increase in Russian rouble/tenge rate	156	156	(51)	(51)

(c) Credit risk

Credit risk is the risk of financial loss arising from a default on obligations by a borrower or counterparty of the Bank. The Bank manages credit risk (on recognized financial assets and unrecognized contractual liabilities) through the application of approved policies and procedures, including requirements for setting and keeping the credit risk concentration limits, as well as through the establishment of a Credit Committee, whose functions include active monitoring of credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for consideration and approval of credit applications;
- methods for assessing the creditworthiness of borrowers (corporate customers and individuals);
- methods for assessing the creditworthiness of counterparties;
- methods for assessing the proposed collateral;
- requirements for credit documentation; and
- procedures for ongoing monitoring of loans and other products bearing credit risk.

Loan applications from corporate customers are drafted by the respective to customer account managers and then passed for consideration by the Lending Division, which is responsible for the portfolio of loans granted to legal entities. The reports of analysts of this Division are based on a structural analysis of the business and financial position of a borrower. Applications and reports are then independently reviewed by the Risk Management Division, which issues the second opinion; at the same time, the proper satisfaction of the requirements of the credit policy is checked. The Credit Committee approves loan applications based on documents provided by the Lending Division, Integrated Security Department, Collateral Valuation Department, Legal and Risk Management Divisions.

The Bank constantly monitors the status of individual loans and reassesses the solvency of its borrowers on a regular basis. Reassessment procedures are based on an analysis of the borrower's financial statements at the latest reporting date or other information provided by the borrower itself or otherwise obtained by the Bank. At the same time, the decision to grant each loan is made by the Credit Committee after all the necessary procedures have been completed, which in turn allows controlling the entire credit process with a small number of incoming applications.

In addition to analysing individual borrowers, the Risk Management Division assesses the loan portfolio as a whole in terms of concentration of loans and market risks.

The maximum level of credit risk is generally reflected in the carrying amount of financial assets in the statement of financial position and in the amount of unrecognized contractual liabilities. The ability to offset assets and liabilities is not essential to minimize potential credit risk.

Organizations in the banking sector are generally exposed to credit risk arising from financial assets and contingent liabilities. The Bank's credit risk is concentrated in the Republic of Kazakhstan. The degree of credit risk is subject to constant monitoring in order to ensure compliance with credit limits and creditworthiness in accordance with the risk management policy approved by the Bank.

The maximum level of exposure to credit risk in relation to financial assets at the reporting date can be presented as follows:

(thousand Kazakhstan tenge)

	31.12.2023	31.12.2022
ASSETS		
Cash and cash equivalents	335,979,749	80,453,806
Accounts and deposits with banks	184,910	182,812
Financial assets at fair value through other comprehensive income	-	970,269
Loans granted to customers	48,115,117	22,424,888
Financial assets at amortized cost	88,107,686	20,907,670
Other financial assets	540,261	201,306
Total maximum exposure to credit risk	**472,927,723**	**125,140,751**

31 December 2023	Stage 1 On a group basis	Stage 2 On a group basis	Stage 3 On a group basis	Stage 3 Individually	Total
Cash and cash equivalents	335,979,749	-	-	-	335,979,749
Accounts and deposits with banks	184,910	-	-	-	184,910
Loans granted to customers	45,119,387	1,094,636	107,769	1,793,325	48,115,117
Financial assets at amortized cost	88,107,686	-	-	-	88,107,686
Other financial assets	540,261	-	-	-	540,261
Total assets	**469,931,993**	**1,094,636**	**107,769**	**1,793,325**	**472,927,723**

31 December 2022	Stage 1 On a group basis	Stage 2 On a group basis	Stage 3 On a group basis	Stage 3 Individually	Total
Cash and cash equivalents	80,453,806	-	-	-	80,453,806
Accounts and deposits with banks	182,812	-	-	-	182,812
Financial assets at FVTOCI	970,269	-	-	-	970,269
Loans granted to customers	19,241,070	928,342	115,206	2,140,270	22,424,888
Financial assets at amortized cost	20,907,670	-	-	-	20,907,670
Other financial assets	201,306	-	-	-	201,306
Total assets	**121,956,933**	**928,342**	**115,206**	**2,140,270**	**125,140,751**

An analysis of collateral on loans granted to customers and the concentration of credit risk on loans to customers is presented in Note 15.

As of 31 December 2023, the Bank has no debtors (31 December 2022: none) whose exposure to credit risk exceeds 10% of the maximum exposure to credit risk.

Significant increase in credit risk

The Bank monitors all of the financial assets that qualify for impairment requirements for significant increases in credit risk since initial recognition. If a significant increase in credit risk is detected, the Bank calculates the amount of an allowance based on the amount of credit losses expected during the entire loan term and not just the next 12 months.

The Bank uses estimates of credit risk as the main input in determining the timing structure of the probability of default for exposures. The Bank collects performance and default information on credit exposures analysed by jurisdiction or region, as well as by product type and borrower, as well as by credit risk classification. The information used is internal and external depending on the portfolio being assessed.

The Bank uses various criteria to determine whether the credit risk per portfolio of assets has increased significantly. Both quantitative and qualitative changes in the probability of default are used as criteria.

For loans granted that are measured collectively, a significant increase in credit risk is determined based on the increase in the probability of default over the entire loan term after initial recognition, using certain thresholds for segmented homogeneous portfolios and for loans overdue more than 30 days after initial recognition. For loans that are measured on an individual basis, additionally in case of a decrease in the external / internal credit rating by 2 (two) levels (presence of restructuring in case of deterioration of the financial condition for classification in Stage 3), the expert opinions of the Bank's specialists are based on changes in qualitative and quantitative indicators of a borrower, significant deterioration in collateral and other objective evidence of significant financial difficulties since initial recognition.

The third stage is determined for loans measured on a collective basis with an overdue debt period exceeding 60-90 days, for loans measured on an individual basis with an overdue over 60 days, restructuring associated with a deterioration in the financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Bank's management believes that certain financial instruments with low credit risk did not have a significant increase in credit risk at the reporting date by applying this policy to financial instruments issued only to sovereign and financial institutions. A financial instrument is assumed to have a low credit risk when the external credit rating is equivalent to the definition of an 'investment grade' by the international rating agencies.

The Bank has implemented monitoring procedures to ensure that the criteria used to determine a significant increase in credit are effective, meaning that a significant increase in credit risk is identified prior to a risk default or when an asset becomes 30 days past due.

Provision of forward-looking information

The Bank uses forward-looking information, which is available without undue cost or effort, when estimating significant increase in credit risk, as well as when estimating expected credit losses.

The inclusion of forward-looking elements reflects the Bank's expectations. The Bank considers scenarios the number of which depends on the assessment of the likelihood of implementation, the significance of this scenario, changing circumstances and the macroeconomic environment.

The purpose of using scenarios is to model the non-linear impact of macroeconomic factors on expected credit losses.

The Bank identified and documented the key indicators affecting portfolios of financial instruments and, using statistical analysis of historical data, assessed the relationship between macroeconomic variables and credit risk and credit loss.

(d) Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in raising cash to settle its liabilities. Liquidity risk arises when maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity risk management. Due to the variety of transactions settled and related uncertainty, the full matching of the maturities of assets and liabilities is not a common practice for financial institutions, which makes it possible to increase the return on transactions, while increasing the risk of losses.

The Bank maintains the necessary level of liquidity in order to ensure the constant availability of cash necessary to settle all liabilities as they fall due. The liquidity management policy is reviewed and approved by the Board of Directors. The Bank strives to actively maintain a diversified and stable structure of funding sources consisting of long-term loans from international financial organizations, short-term loans from other banks, deposits of major corporate customers and individuals, as well as a diversified portfolio of highly liquid assets to enable the Bank to respond quickly without sudden fluctuations to unforeseen liquidity requirements.

The section of the corporate risk management policy, which relates to liquidity risk management, consists of:

- forecasting the cash flows in the context of the main currencies and the calculation associated with these cash flows of the required level of liquid assets;
- maintaining a diversified structure of funding sources;

- management of the concentration and structure of borrowed funds;
- development of plans to raise funds using borrowed funds;
- maintaining a portfolio of highly liquid assets that can be freely sold as a protective measure in case of cash liquidity gap;
- developing reserve plans to maintain liquidity and set level of financing; and
- exercising control over the conformance of liquidity indicators to the legally established standards.

The Treasury receives information from the divisions on the liquidity structure of their financial assets and liabilities and on forecasting the cash flows expected from the planned future business.

The Treasury then forms an appropriate portfolio of current liquid assets consisting primarily of short-term liquid securities held for trade, deposits placed with banks, and other interbank products, in order to provide the necessary level of liquidity for the Bank as a whole.

The Treasury monitors the liquidity position on a daily basis and carries out 'stress tests' on a regular basis taking into account a variety of possible market scenarios under both normal and adverse conditions. Under normal market conditions, liquidity reports are provided to the top management on a weekly basis. Decisions on liquidity management policy are made by the CALM and executed by the Treasury.

The following tables show the undiscounted cash flows for financial assets, financial liabilities and contingent credit liabilities at the earliest contractual maturity date. The total receipts and disposals of cash flows shown in these tables are the contractual undiscounted cash flows of financial assets, liabilities or contingent credit liabilities. For issued financial guarantee contracts, the maximum amount of guarantees relates to the earliest period in which the guarantee can be used.

(thousand Kazakhstan tenge)

Analysis of financial liabilities in terms of maturity as of 31 December 2023 can be presented as follows:

	On-demand and less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Total disposal of cash flows	Carrying amount
Non-derivative financial liabilities							
Accounts and deposits of banks	348,438	-	-	-	-	348,438	348,438
Current accounts and deposits of customers	16,739,568	253,440,882	149,018,210	12,356,501	87,922	431,643,083	420,035,435
Loans from international financial organizations	346,653	333,472	1,135,209	1,868,681	6,140,199	9,824,214	7,023,267
Other financial liabilities	414,803	23,754	24,126	48,275	150,418	661,376	661,376
Total liabilities	**17,849,462**	**253,798,108**	**150,177,545**	**14,273,457**	**6,378,539**	**442,477,111**	**428,068,516**
Contingent credit liabilities	**7,954,210**	-	-	-	-	**7,954,210**	**2,248,488**
Total non-derivative financial liabilities	**25,803,672**	**253,798,108**	**150,177,545**	**14,273,457**	**6,378,539**	**450,431,321**	**430,317,004**

Analysis of financial liabilities in terms of maturity as of 31 December 2022 can be presented as follows:

	On-demand and less than 1 month	1-3 months	3-6 months	6-12 months	More than 1 year	Total disposal of cash flows	Carrying amount
Non-derivative financial liabilities							
Accounts and deposits of banks	79,509	-	-	-	-	79,509	79,509
Current accounts and deposits of customers	57,684,704	18,160,320	4,978,672	3,303,641	56,000	84,183,337	82,627,812
Loans from international financial organizations	259,952	293,817	289,524	561,603	7,547,744	8,952,640	8,230,594
Loans from banks	-	13,888,271	-	-	-	13,888,271	13,888,271
Other financial liabilities	260,596	18,935	19,053	38,114	220,807	557,505	557,505
Total liabilities	**58,284,761**	**32,361,343**	**5,287,249**	**3,903,358**	**7,824,551**	**107,661,262**	**105,383,691**
Contingent credit liabilities	**3,575,611**	-	-	-	-	**3,575,611**	**3,575,611**
Total non-derivative financial liabilities	**61,860,372**	**32,361,343**	**5,287,249**	**3,903,358**	**7,824,551**	**111,236,873**	**108,959,302**

In accordance with the legislation of the Republic of Kazakhstan, depositors have the right to withdraw their term deposits from the Bank at any time, while in most cases they lose the right to receive accrued interest income. These deposits were presented based on the terms of their payment established in the agreements.

(thousand Kazakhstan tenge)

However, the management believes that regardless of the existence of an early withdrawal option and the fact that a significant portion of deposits are demand deposits, the diversification of these accounts and deposits by the number and types of depositors and the Bank's past experience are indications that these accounts represent a long-term and stable source of financing.

The management expects that cash flows in respect of certain financial assets and liabilities may differ from those specified in the contracts, either because the management is authorized to manage cash flows or because past experience indicates that the timing of cash flows of these financial assets and liabilities may differ from the terms set in the contracts.

The table provides analysis in terms of maturities of amounts recognized in the statement of financial position as of 31 December 2023:

	On-demand and less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No maturity date	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	335,979,749	-	-	-	-	-	-	**335,979,749**
Accounts and deposits with banks	-	184,910	-	-	-	-	-	**184,910**
Loans granted to customers	565,749	2,264,272	22,615,809	16,034,787	6,589,390	-	45,110	**48,115,117**
Financial assets at amortized cost	72,684,314	7,150,279	3,457,925	4,815,168	-	-	-	**88,107,686**
Other assets	534,971	860	2,582	1,848	-	-	-	**540,261**
Total assets	**409,764,783**	**9,600,321**	**26,076,316**	**20,851,803**	**6,589,390**	**-**	**45,110**	**472,927,723**
Non-derivative financial liabilities								
Accounts and deposits of banks	348,438	-	-	-	-	-	-	**348,438**
Current accounts and deposits of customers	16,727,770	247,685,656	155,564,050	31,578	26,381	-	-	**420,035,435**
Loans from international financial organizations	337,962	231,327	2,100,984	4,352,994	-	-	-	**7,023,267**
Other liabilities	414,804	23,754	72,400	150,418	-	-	-	**661,376**
Total liabilities	**17,828,974**	**247,940,737**	**157,737,434**	**4,534,990**	**26,381**	**-**	**-**	**428,068,516**
Net position	**391,935,809**	**(238,340,416)**	**(131,661,118)**	**16,316,813**	**6,563,009**	**-**	**45,110**	**44,859,207**

(thousand Kazakhstan tenge)

The table provides analysis in terms of maturities of amounts recognized in the statement of financial position as of 31 December 2022:

	On-demand and less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No maturity date	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	80,453,806	-	-	-	-	-	-	80,453,806
Accounts and deposits with banks	-	-	182,813	-	-	-	-	182,813
Financial assets at FVTPL	-	-	34,939	935,330	-	-	-	970,269
Loans granted to customers	340,885	1,059,418	8,075,542	6,798,530	6,056,485	-	94,028	22,424,888
Financial assets at amortized cost	-	-	17,434,101	3,473,569	-	-	-	20,907,670
Other assets	142,342	214	56,928	1,822	-	-	-	201,306
Total assets	**80,937,033**	**1,059,632**	**25,784,323**	**11,209,251**	**6,056,485**	**-**	**94,028**	**125,140,752**
Non-derivative financial liabilities								
Accounts and deposits of banks	79,509	-	-	-	-	-	-	79,509
Current accounts and deposits of customers	57,684,705	16,754,575	8,132,532	56,000	-	-	-	82,627,812
Loans from international financial organizations	388,775	230,816	692,449	6,918,554	-	-	-	8,230,594
Loans from banks	-	13,888,271	-	-	-	-	-	13,888,271
Other liabilities	260,596	18,935	57,167	220,807	-	-	-	557,505
Total liabilities	**58,413,585**	**30,892,597**	**8,882,148**	**7,195,361**	**-**	**-**	**-**	**105,383,691**
Net position	**22,523,448**	**(29,832,965)**	**16,902,175**	**4,013,890**	**6,056,485**	**-**	**94,028**	**19,757,061**

27. CAPITAL MANAGEMENT

The RK NB sets and monitors compliance with the Bank's capital requirements.

The Bank attributes to equity the items that are defined in accordance with the legislation as items constituting the capital of credit organizations. As of 31 December 2023, the minimum level of Tier 1 capital to the value of risk-weighted assets, contingent liabilities, operating and market risks is 0.075 (31 December 2022: 0.075), and the minimum level of total capital to the total of risk-weighted assets, contingent liabilities, operating and market risks is 0.10 (31 December 2022: 0.10).

As of 31 December 2023 and 31 December 2022, the Bank met all regulatory capital requirements, with Tier 1 capital to risk-weighted assets, contingent liabilities, operating and market risks being 0.980 as of 31 December 2023 (31 December 2022: 0.893), and the level of total capital to risk-weighted assets, contingent liabilities, operating and market risks being 0.980 (31 December 2022: 0.893).

28. CONTINGENT CREDIT LIABILITIES

(a) Contingent credit liabilities

The Bank issues bank guarantees and opens letters of credit in order to ensure the fulfilment of the obligations of its customers to third parties. These agreements fix liability limits and, as a rule, are valid for up to five years.

The Bank applies the same risk management policies and procedures in issuing financial guarantees, contingent credit liabilities and letters of credit as it does in granting loans to customers.

As of 31 December 2023, the Bank had outstanding contractual contingent liabilities in respect of the provision of credit facilities in the amount of 7,860,511 thousand tenge (31 December 2022: 3,545,348 thousand tenge) and issued guarantees and letters of credit in the amount of 93,699 thousand tenge (31 December 2022: 30,263 thousand tenge).

(b) Pending litigations

The management is not aware of any material actual or pending litigations, as well as potential claims that may be brought against the Bank.

(c) Insurance

The market of insurance services in the Republic of Kazakhstan is at the stage of development, therefore, many forms of insurance coverage used in other countries are not yet available in the Republic of Kazakhstan. The Bank did not maintain full insurance of buildings and equipment, suspension of business or in relation to the liability of third parties for property or environmental damage caused as a result of the use of the Bank's property.

The Bank concluded the agreement of comprehensive insurance of banking risks against electronic and computer crimes. The insurer is Nomad Insurance IC JSC. The agreement is valid for 12 months from the date of signing.

Until the Bank adequately insures its activities, there is a risk that losses incurred and or loss of certain assets may have a material adverse effect on the activities and financial position of the Bank.

(d) Tax liabilities

The tax system of Kazakhstan is relatively new and it is characterized by frequent changes in legislation, official clarifications and court decisions that are often unclear and contradictory, which allows for their ambiguous interpretation by various tax authorities, including opinions regarding the treatment of income, expenses and other items of the financial statements in accordance with IFRSs. Checks and investigations regarding the correctness of tax assessment are carried out by regulatory authorities of different levels, which have the right to impose large penalties and charge interest. The correctness of tax assessment in the reporting period can be verified within the next five calendar years, however, under certain circumstances, this period may be extended.

These circumstances may lead to the fact that tax risks in Kazakhstan will be much higher than in other countries. Management believes that tax liabilities have been fully reflected in these financial statements based on management's interpretation of applicable tax laws, official comments on regulatory documents and decisions of judicial authorities. However, given the fact that interpretations of tax laws by various regulatory authorities may differ from opinion of the Bank's management, if enforcement action is taken by the regulatory authorities, the impact on the Bank's financial statements could be material.

(thousand Kazakhstan tenge)

29. RELATED PARTY TRANSACTIONS

(a) Controlling relations

The Bank's parent company is Shinhan Bank JSC (Seoul, Republic of Korea). The parent company of the Bank prepares the financial statements available to external users.

The Bank's ultimate parent company is Shinhan Financial Group Co. Ltd, which is authorized to direct at its own discretion and in its own interests the activities of the Bank.

(b) Transactions with members of the Board of Directors and the Management Board

The total remuneration included in 'Personnel Expenses' for the years ended 31 December 2023 and 2022 can be presented as follows:

	2023	2022
Board of Directors	11,865	7,864
Management Board	322,607	321,156
	334,472	**329,020**

As of 31 December 2023 and 2022, account balances and average interest rates on transactions with members of the Board of Directors and Management Board amounted to:

Statement of financial position	2023	Average interest rate, %	2022	Average interest rate, %
Other assets	1,278	-	1,442	-
Current accounts and deposits	(43,116)	0.98	(58,915)	1.26
Other liabilities	(51,224)	-	(42,493)	-

The amounts included in profit or loss on transactions with members of the Board of Directors and the Management Board for the year ended 31 December may be presented as follows:

Statement of profit or loss and other comprehensive income	2023	2022
Foreign exchange gains / (losses)	818	1,014
Fee income/(expenses)	233	311
Interest expenses	603	766
Other general and administrative expenses	2,414	639

(c) Transactions with other related parties

As of 31 December 2023 and 2022, account balances and the corresponding average interest rates, as well as the corresponding profit or loss on transactions with other related parties for the year then ended, amounted to:

	Parent bank		Other related parties	
Statement of financial position	2023	Average interest rate, %	2023	Average interest rate, %
ASSETS				
Cash and cash equivalents				
- Euro	-	-	16,273	-
- other currency	-	-	253	-
Loans granted to customers				
- tenge	-	-	12,398,039	16.91
LIABILITIES				

Accounts and deposits of banks				
- tenge	23,159	-	-	-
- US dollar	323,529	-	-	-
- Euro	1,750	-	-	-
Current accounts and deposits of customers				
- tenge	-	-	526,317	5.98
- US dollar	-	-	509	0.41
Other liabilities				
- tenge	4,496	-	119	-
- US dollar	30,304	-	-	-
Items not recognized in the statement of financial position				
Received guarantees*				
- tenge	3,400,000	-	1,500,000	-
- US dollar	5,409,264	-	2,500,080	-
Credit facilities	-	-	30,000,000	-

	Parent bank		Other related parties	
Statement of profit or loss and other comprehensive income	2023	Average interest rate,%	2023	Average interest rate,%
Income from foreign currency transactions	467	-	5,599	-
Interest income	-	-	858,800	-
Interest expenses	-	-	175,749	-
Fee income	3,317	-	8,675	-
Fee expenses	32,583	-	131,566	-
Other general and administrative expenses	88,305	-	-	-

*As of 29 December 2023, guarantees received include guarantees in the tenge and the US dollars provided by the parent bank and for loans granted to corporate clients. The guarantees are interest-free, the expiration date of the guarantees is 25 April 2024, 17 June 2024, 5 October 2026, and 30 December 2026. Guarantees received from other related parties include the guarantees in the tenge provided by a company belonging to Shinhan Financial Group Co. Ltd, and for loans granted to its subsidiary in Kazakhstan. The guarantees are interest-free and the guarantees expire on 23 August 2024 and 22 March 2024.

	Parent bank		Other related parties	
Statement of financial position	2022	Average interest rate,%	2022	Average interest rate,%
ASSETS				
Cash and cash equivalents				
- Euro	-	-	112,537	-
- other currency	-	-	261	-
Loans granted to customers				
- tenge	-	-	1,476,161	14.96
LIABILITIES				
Accounts and deposits of banks				
- tenge	41,663	-	-	-
- US dollar	33,723	-	-	-
- Euro	4,123	-	-	-

(thousand Kazakhstan tenge)

Current accounts and deposits of customers				
- tenge	-	-	445,523	5.9
- US dollar	-	-	26,678	0.5
Loans from banks				
- US dollar	13,888,271	4.55	-	-
Other liabilities				
- tenge	25,260	-	112	-
- US dollar	60,479	-	-	-
Items not recognized in the statement of financial position				
Received guarantees*	3,816,385	-	1,500,000	-
Credit facilities	-	-	100,000,000	-

	Parent bank		Other related parties	
Statement of profit or loss and other comprehensive income	2022	Average interest rate,%	2022	Average interest rate,%
Income from foreign currency transactions	7,208	-	2,890	-
Interest income	-	-	182,592	-
Interest expenses	8,871	-	27,870	-
Fee income	3,980	-	5,864	-
Fee expenses	195,451	-	5,485	-
Other general and administrative expenses	78,584	-	-	-

** Guarantee received from other related parties includes the guarantees in the tenge issued by a company from the group of Shinhan Financial Group Co. Ltd, for loans granted to its subsidiary in Kazakhstan. Guarantees are interest-free, guarantees expire on 23 August 2024 and 22 March 2024.

(thousand Kazakhstan tenge)

30. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATION

(a) Accounting classification and fair value

The following table provides carrying amount and fair value of financial assets and liabilities as of 31 December 2023:

	At amortized cost	Payables and receivables	At fair value through other comprehensive income	Other at amortized cost	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	-	335,979,749	-	-	335,979,749	335,979,749
Accounts and deposits with banks	-	184,910	-	-	184,910	184,910
Financial assets at fair value through other comprehensive income						
Loans granted to customers						
- corporate customers	-	38,312,975	-	-	38,312,975	36,067,109
- retail customers	-	9,802,142	-	-	9,802,142	9,077,425
Financial assets at amortized cost	88,107,686	-	-	-	88,107,686	87,541,363
Other financial assets		540,261	-	-	540,261	540,261
	88,107,686	384,820,037	-	-	472,927,723	469,390,817
Financial liabilities						
Accounts and deposits of banks	-	-	-	348,438	348,438	348,438
Current accounts and deposits of customers	-	-	-	420,035,435	420,035,435	420,035,435
Loans from international financial organizations	-	-	-	7,023,267	7,023,267	7,023,267
Other financial liabilities	-	661,176	-	200	661,376	661,376
	-	661,176	-	427,407,340	428,068,516	428,068,516

(thousand Kazakhstan tenge)

The following table provides carrying amount and fair value of financial assets and liabilities as of 31 December 2022:

	At amortized cost	Payables and receivables	At fair value through other comprehensive income	Other at amortized cost	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	-	80,453,806	-	-	80,453,806	80,453,806
Accounts and deposits with banks	-	182,812	-	-	182,812	182,812
Financial assets at fair value through other comprehensive income	-	-	970,269	-	970,269	970,269
Loans granted to customers						
- corporate customers	-	13,728,483	-	-	13,728,483	13,728,483
8,696,405 - retail customers	-	8,696,405	-	-	8,696,405	8,696,405
Financial assets at amortized cost	20,907,670	-	-	-	20,907,670	19,986,943
Other financial assets	-	201,306	-	-	201,306	201,306
	20,907,670	103,262,812	970,269	-	125,140,751	126,425,986
Financial liabilities						
Accounts and deposits of banks	-	-	-	79,509	79,509	79,509
Current accounts and deposits of customers	-	-	-	82,627,812	82,627,812	82,627,812
Loans from international financial organizations	-	-	-	8,230,594	8,230,594	8,230,594
Loans from banks	-	-	-	13,888,271	13,888,271	13,888,271
Other financial liabilities	-	557,305	-	200	557,505	557,505
	-	557,305	-	104,826,386	105,383,691	105,383,691

The fair value measurement aims to determine the price that would be received from sale of an asset or paid to transfer liabilities in an organized market transaction between the market players at the measurement date. However, given the uncertainty and the use of subjective judgment, fair value should not be interpreted as realizable as part of an immediate sale of assets or a transfer of liabilities.

The fair value of financial assets and financial liabilities traded in active market is based on market quotations or dealer prices. The Bank determines the fair value of all other financial instruments of the Bank using the other valuation methods.

The valuation methods include models for estimating net present value and discounting cash flows, comparing them with similar instruments for which market quotations are known. Judgments and data used for estimating include risk-free and underlying interest rates, credit spreads and other adjustments used to estimate discount rates, share and bond quotations, foreign exchange rates, stock indices, as well as expected price fluctuations and their comparison. The valuation methods are aimed at determining the fair value, which reflects the value of a financial instrument at the reporting date, which would be determined by independent market players.

The management used an assumption at a discount rate of 19.47% and 21.93% (2022: 17.80% and 18.82%) to discount future cash flows from measurement of the fair value of tenge loans granted to corporate customers and loans granted to retail customers, respectively, and 6.80% (2022: 5.20%) to discount future cash flows from measurement of the fair value of US dollar loans granted to corporate customers.

(b) Fair value hierarchy

The Bank measures fair value using the following fair value hierarchy taking into account the materiality of the data used in making these measurements.

- Level 1: active market quotations (unadjusted) for identical financial instruments.
- Level 2: Data, other than Level 1 quotations, available either directly (i.e. quotations) or indirectly (i.e. data derived from quotations). This category includes instruments measured using: market quotations in active markets for identical instruments, market quotations for identical instruments in markets not considered to be active, or other valuation methods, all of whose data are directly or indirectly based on observable inputs.
- Level 3: data that is not available. This category includes instruments measured using information not based on observable inputs, where such unobservable inputs have a significant impact on measurement of an instrument. This category includes instruments measured based on quotations for identical instruments and require the use of significant unobservable adjustments or judgments to reflect a difference between the instruments.

The Bank has a control system in relation to the fair value measurement. This system includes the Risk Management Department, which is independent from the management of the front office and reports to the Chief Financial Officer, and which is responsible for the independent verification of the trading and investment performance, as well as all material fair value measurements. Special control mechanisms include:

- verification of observable quotations;
- recalculation according to valuation models;
- process of verification and approval of new models and changes to models with the participation of the Risk Management Department;
- quarterly validation and back-testing of the model against observable market transactions;
- analysis and study of significant daily changes in estimates; and
- review by the Management Board of significant unobservable data, valuation adjustments and significant changes in the measurement of fair value of the instruments attributable to Level 3 as opposed to the previous month.

When using third party information, including information about prices and market quotations of brokers, to measure a fair value, the Credit Products Control Department evaluates and documents confirmations received from third parties in order to confirm the conclusion that such measurements meet the requirements of IFRSs, including:

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- confirmation that information about prices or market quotations of brokers is approved by the Bank for use in pricing the financial instruments;
- an understanding of how a fair value is measured to the extent that it represents actual market transactions;
- cases where quotations for identical instruments are used to measure a fair value, determining how those quotations have been adjusted to reflect the characteristics of the instrument being measured; and
- cases of using a number of quotations for identical financial instruments, determining how a fair value is measured using these quotations.

Significant issues related to the measurement are brought to the attention of the Management Board.

The table below provides an analysis of financial instruments reported at fair value as of 31 December 2023 and 2022, by levels of the fair value hierarchy. The amounts are based on the amounts shown in the statement of financial position.

	Level 2	
	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income		
- debt securities	-	970,269

The tables below provide an analysis of the fair value of financial instruments not measured at fair value as of 31 December 2023 and 2022, by levels of the fair value hierarchy:

2023	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Accounts and deposits with banks	184,910	-	184,910	184,910
Loans granted to customers	45,144,534	-	45,144,534	48,115,117
Financial assets at amortized cost	87,541,363	-	87,541,363	88,107,686
Other financial assets	540,261		540,261	540,261
	133,411,068	**-**	**133,411,068**	**136,947,974**
Financial liabilities				
Accounts and deposits of banks	348,438	-	348,438	348,438
Current accounts and deposits of customers	420,035,435	-	420,035,435	420,035,435
Loans from international financial organizations	7,023,267	-	7,023,267	7,023,267
Other financial liabilities	661,376	-	661,376	661,376
	428,068,516	**-**	**428,068,516**	**428,068,516**

2022	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Accounts and deposits with banks	182,812	-	182,812	182,812
Loans granted to customers	24,630,850	-	24,630,850	22,424,888
Financial assets at amortized cost	19,986,943	-	19,986,943	20,907,670
Other financial assets	201,306	-	201,306	201,306
	45,001,911	**-**	**45,001,911**	**43,716,676**
Financial liabilities				
Accounts and deposits of banks	79,509	-	79,509	79,509

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2022	Level 2	Level 3	Fair value	Carrying amount
Current accounts and deposits of customers	82,627,812	-	82,627,812	82,627,812
Loans from international financial organizations	8,230,594	-	8,230,594	8,230,594
Loans from banks	13,888,271	-	13,888,271	13,888,271
Other financial liabilities	557,505	-	557,505	557,505
	105,383,691	**-**	**105,383,691**	**105,383,691**

Level 1: Cash and cash equivalents as of 31.12.2023: 335,979,749 thousand tenge (31.12.2022: 80,453,806 thousand tenge).

31. EVENTS AFTER THE BALANCE SHEET DATE

Under the loan agreement signed with the EBRD at the end of 2023 under the YiB program in the amount of 8 million US dollars, in March 2024, the Bank attracted 1 tranche in the amount of 4 million US dollars.

There are no other events at the Bank that occurred prior to the date of approval of the financial statements that would require adjustment or disclosure in the notes to the financial statements.