100 Halyk

Annual Report 2023

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Glossary

Halyk

GLOSSARY

AIX	Astana International Exchange
Altyn Bank	Altyn Bank (subsidiary of China CITIC Bank Corporation Limited)
AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
ATM	Automated teller machine (bank machine)
Business Roadmap – 2025	The “Road Map for Business 2025” Unified Programme for Supporting Entrepreneurship and Business Development
CET	Common equity tier
CIS	Commonwealth of Independent States
CITIC Bank	China CITIC Bank Corporation Limited
Damu Fund	Damu Entrepreneurship Development Fund
DAU	Daily active users
DLS	Distance learning system
DMC	Decision-Making Centre
ESG	Environmental, social and governance
EU	European Union
FATF	Financial Action Task Force
GDP	Gross domestic product
GDR	Global depositary receipt
GMV	Gross merchandise value
GovTech	Government technology
GRI	Global Reporting Initiative
Halyk Bank, the Bank	Halyk Bank of Kazakhstan
Halyk Group, the Group	Halyk Group of Companies

HR	Human resources
IFRS	International Financial Reporting Standards
IS	Information security
IT	Information technology
KASE	Kazakhstan Stock Exchange
KPI	Key performance indicator
KRI	Key risk indicator
LSE	London Stock Exchange
MAU	Monthly active users
NSFR	Net stable funding ratio
ORAP	Organisation and Reinforcement of Preventive Action
POCI	Purchased or originated credit-impaired
POS	Point of sale
PR	Public relations
RCC	Retail Credit Committee of the Head Office
ROAA	Return on average assets
ROAE	Return on average equity
SKU	Stock keeping unit
SME	Small and medium-sized enterprise
UK	United Kingdom
UN	United Nations
US	United States

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At a Glance

FINANCIAL HIGHLIGHTS (CONSOLIDATED BASIS)

	1 January 2024		1 January 2023	
Key indicators	KZT million	US$ million*	KZT million	US$ million*
Loans to customers	9,284,872	20,426.1	7,857,902	17,046.1
Total assets	15,494,368	34,086.5	14,395,102	31,227.2
Amounts due to customers	10,929,504	24,044.1	10,512,048	22,803.6
Debt securities issued	653,393	1,437.4	462,817	1,004.0
Amounts due to credit institutions	778,311	1,712.2	878,665	1,906.1
Total equity	2,476,954	5,449.1	2,012,242	4,365.1

	2023		2022	
Key indicators	KZT million	US$ million**	KZT million	US$ million**
Net interest income	719,832	1,577.5	562,537	1,221.6
Fee and commission income	200,060	438.4	180,066	391.0
Operating expenses (including impairment loss on non-financial assets)	(216,405)	(474.2)	(188,959)***	(410.4)
Net income	693,436	1,519.7	569,478	1,293.9

Key indicators	2023	2022
Return on average equity (RoAE)	32.5%	32.4%
Return on average assets (RoAA)	4.8%	4.3%
Net interest margin	6.2%	5.6%
Cost-to-income	19.2%	19.0%
Operating expenses/average total assets	1.5%	1.4%
CET1 capital adequacy ratio (CET)	19.3%	19.2%
Tier 1 capital adequacy ratio	19.3%	19.2%
Total capital adequacy ratio	19.6%	19.5%

Number of customers/accounts

Key indicators	1 January 2024	1 January 2023
Retail clients (active), thousands	10,188	9,852
SME loan borrowers (active), thousands	369	310.7
Corporate clients (active), thousands	2.3	2.3
Payment cards, thousands	20,118	17,456
Retail loans, thousands	2,531	2,181
Mortgage loans, thousands	42	43
Other secured and unsecured customer loans, thousands	2,489	2,138
Internet banking users, thousands		
- Individuals	10,188	9,416
- Legal entities	514.7	418

* Calculated using the official National Bank of Kazakhstan rate on the corresponding date.

** Calculated using the official National Bank of Kazakhstan average rate for the corresponding period.

*** Including reversal of/(loss from) impairment of non-financial assets and reversal of impairment loss of property, plant and equipment

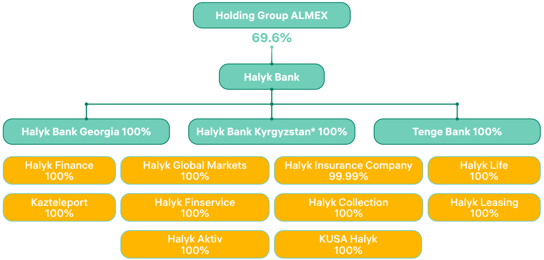
DISTRIBUTION NETWORK

Halyk Bank	570 branches and outlets, including:
	25 regional branches
	119 sub-regional offices
	329 personal service centres
	3 VIP centres
	48 banking service centres
	13 cash settlement units
	33 business centres (legal entities)
	4,579 ATMS
	330,847 POS terminals
	941 payment terminals

Halyk Insurance Company	18 branches and more than 40 points of sale
Halyk Life	20 branches and 7 representative offices
Halyk Finance	1 branch
Halyk Collection	20 branches and 34 offices
Halyk Bank Kyrgyzstan	10 branches, 8 cash settlement units and 6 mobile cash settlement units
Halyk Bank Georgia	8 branches and 1 division
Tenge Bank	18 branches (6 banking service centres and 12 personal service centres) and 46 universal cash settlement units
Kazteleport	1 branch and 1 subsidiary in Uzbekistan
Halyk Finservice	1 subsidiary in Uzbekistan
Halyk Aktiv	1 branch in Russia
KUSA Halyk	1 branch in Russia

As of 31 December 2023, Halyk Group had 16,833 full-time equivalent employees.

HALYK GROUP STRUCTURE



As of the date of publication of this annual report:

- Halyk Bank's stake in Altyn Bank (a subsidiary of China CITIC Bank Corporation Limited) is 40%
- Halyk Bank's stake in First Credit Bureau is 38.8%
- Halyk Bank's stake in Private Company Open Networks Ltd. is 50%

* As of the date of publication of this report, the Bank has completed the sale of 100% of shares of Halyk Bank Kyrgyzstan OJS

Information about shareholders of Halyk Group with at least 5% of Halyk Bank's common shares issued as of 1 January 2024:**

No.	Name	Common shares	Proportion of total shares in circulation
1	**Total shares authorised**	**25,000,000,000**	-
2	Holding Group ALMEX	7,583,538,228	69.6%
3	GDRs (ISIN: US46627J3023/US46627J2033)	3,109,586,880	28.5%
4	Other	209,046,483	1.9%
5	**Total shares in circulation**	10,902,171,591	**100.0%**
6	Shares bought back by the Bank	(2,539,270,930)	-
7	Shares retained by companies in the Group	(6,102,261)	-
8	**Total shares issued**	**13,447,544,782**	**-**
9	**Total shares in circulation (as per KASE listing rules)**	**3,324,735,624**	**-**
10	**Market price of local shares, KZT*****	**160.5**	**-**
11	**Market price of GDRs, KZT / US$******	**15.16**	**-**

Holding Group ALMEX is a holding company that has a controlling interest in Halyk Bank.

** The Bank's common shares have been listed on the Kazakhstan Stock Exchange (KASE) since 1998, its common shares in the form of global depositary receipts have been listed on the London Stock Exchange (LSE) since 2006, and its commons shares have been listed on the Astana International Exchange since 2019.

*** Market price of local shares as of 31 December 2023, determined and published by the Kazakhstan Stock Exchange (KASE; www.kase.kz).

**** Market price of GDRs as of 31 December 2023, based on information from the London Stock Exchange (LSE).

Business Model

Halyk

3 BUSINESS MODEL

Solid financial position amid macroeconomic challenges

- The Bank's business model is resilient to macroeconomic risks: over 2014-23, the ROAE, cost-to-income and Cost of risk ratios averaged 27.3%, 26.2% and 0.7%, respectively
- High level of capitalisation: a common equity tier 1 (CET 1) capital adequacy ratio of 19.3%, tier 1 capital adequacy ratio of 19.3% and total capital adequacy ratio of 19.6%
- Solid profitability is supporting shareholder returns: ROAE of 32.5% in 2023
- Substantial level of liquidity: liquid assets to total assets ratio of 24.3% and net stable funding ratio (NSFR) of 1.198
- High-quality funding base: loans to deposits ratio of 85%
- One of the lowest funding rates among second-tier banks
- Deposits account for 84% of total liabilities, of which 25.5% are current accounts with zero or low interest rates
- Low leverage: debt securities account for just 5% of total liabilities (as of the end of 2023, the Bank's debt securities included only bonds issued on the local market)
- Effective risk management and continuous work to improve asset quality: in 2023, the share of non-performing loans (overdue by 90 days or more) grew slightly from 2.1% to 2.4%, the share of Stage 3* loans remained unchanged at 7.5%, the provision coverage ratio totalled 67.0% and the cost of risk amounted to 1.0%, reflecting a more normalised level of credit loss expenses on loans
- Balanced forex position: the share of foreign currency assets is 31.5% and the share of foreign currency liabilities is 32.6%
- Ongoing high operational efficiency is providing additional support for profitability: the cost-to-income ratio was 19.2% in 2023
- The Bank's experienced management team has navigated through the turbulence of 2008-09, 2015-16, the pandemic and 2022-23, amid unprecedented domestic and regional macro shocks and geopolitical tensions in the region
    - Halyk Bank's highest long-term credit ratings among second-tier Kazakh banks with no major overseas shareholders have been confirmed by international ratings agencies, despite the deterioration in the global operating environment. Moody's Investor Services has affirmed the Bank's ratings at the sovereign level.
    - Moody's Investor Services – Baa2 ('stable', 1 November 2023)
    - Standard&Poor's – BB+ ('positive', 19 March 2024)
    - Fitch Ratings – BBB- ('stable', 20 March 2024)

Regional financial group with a dominant market position and high level of systemic importance

- Kazakhstan's leading universal financial group, with the largest client base and sales channel network in the country: 10.2 million active retail customers and more than 371,000 active corporate and SME customers; 10.2 million retail customers using the Halyk Super-App online banking system and 514,700 corporate and SME customers using the Onlinebank portal; largest branch network with 570 branches and outlets, 4,579 ATMs (market share of 36.0%) and 330,847 POS terminals (market share of 32%)
- Halyk Bank is the undisputed leader in Kazakhstan in terms of assets (total market share of 29%), equity (34.9%), net income (28.4%), retail deposits (27.4%), corporate deposits (36.5%), gross loans (32.0%) and net loans (32.8%)
- Largest transaction bank in Kazakhstan: in 2023, the Bank's clients conducted transactions totalling KZT121.2 trillion, of which retail customers accounted for KZT11.7 trillion, up 48% year-on-year, and legal entities for KZT109.5 trillion, up 20% year-on-year
- Largest payment agent for pensions and social payments: 2.5 million customers
- Active participant in all government community and business support programmes
- Since 2018, the Bank has been financing its own programme "Women in Business", under which almost 570 businesswomen have received preferential loans totalling around KZT5.6 billion with interest rates of 5-7% annually.

* Including POCI.

Continuous development of digital service channels

- **Halyk Super-App** is one of the leading retail online banking platforms in Kazakhstan: 7.9 million monthly active users (MAU) and 2.3 million daily active users (DAU), up a respective 46.2% and 34.9% year-on-year
- **Kundelik** and Halyk Bank implemented a motivational programme for 5-11 grades students in registered on the website kundelik.kz; for every 10 points, a student can receive 100 Halyk bonuses on a Halyk Easy bank card
- The synergy of the retail and corporate businesses led to a significant increase in digital car lending: in 2023, the Bank issued 150% more car loans than in 2022 and had a 24.4% share of the car loan market in December 2023
- The **Onlinebank** platform for corporate and SME customers has 514,700 online banking users and 274,200 MAU for the WEB version and mobile app (up 8.1% year-on-year)
- Digital bank tender guarantees increased significantly in 2023: the total volume of guarantees issued grew by 360%, while the number of guarantees increased by 270%

The largest open ecosystem in the country

- **Halyk Market**, a technological solution for online purchases, saw positive growth, with gross merchandise value (GMV) of KZT63.9 billion (up 170% in 2023) and 4,557 partners (compared with 2,385 partners at the end of 2022). We are attracting more partners and improving the stock keeping unit (SKU) base to ensure the best customer experience (874,300 SKUs, up from 495,800 at the end of 2022).
- **Halyk Travel**, an app to search for, compare and purchase air, rail and intercity bus tickets online: tickets were sold for KZT7.681 billion (up 20.4% year-on-year)
- **Kino.kz**, a service to find and obtain tickets to various entertainment events: 2.8 million MAU (up from 2.2 million MAU at the end of 2022) and the market share grew to 37.3% (up 9.3 percentage points from the end of 2022)
- The **online auto insurance portal** continues to grow steadily, as GMV increased to KZT4.0 billion (up 80% year-on-year) and the number of policies rose by 60% to 346,900
- **Online government services**: the Bank has the largest number of government online services among second-tier banks: 52 government services for clients (35 for the nearest competitor) at the end of 2023. In 2023, government services were used 13 million times.
- **Halyk Invest** and **Halyk Finance** saw solid growth in their customer base (up 70% to 677,600 customers) and transactions using **brokerage services**, partly due to the coverage of the Bank's retail clients. In 2023, Halyk Finance entered the new pension asset management market and already has a market share of 51%, while the total assets managed increased by 63% over the year.

Halyk Invest and Halyk Finance served as key brokerage platforms for SPO and IPO placements. In the third quarter of 2023, during a SPO by KEGOC, the brokerage platforms of Halyk Group placed shares worth KZT9.2 billion, or 40.8% of the total SPO volume. In February 2024, during an IPO by Air Astana, Halyk Invest and Halyk Finance placed US$65 million, or 30.4% of the total local IPO volume.

Strategic focus on Uzbekistan as part of international expansion

- Uzbekistan remains a key priority outside Kazakhstan.
- The total loan exposure issued from the balance sheet of Halyk and Tenge Bank to Uzbekistan is KZT477.1 billion.
- The Group has developed its subsidiary Tenge Bank and taken a comprehensive approach to support trade and the cross-border expansion of Kazakh business in Uzbekistan.
- KZT92.5 billion – Halyk Group's total interest and F&C from business in Uzbekistan for the period 2021-2023
- Halyk Group is creating an important channel for payments between Kazakhstan and Uzbekistan. In 2023, volume of transfers between Kazakhstan and Uzbekistan through Halyk totalled more than KZT1.1 trillion.

Compliance with ESG best practices

- Since 2020, Halyk Bank has published an annual sustainability report in accordance with Global Reporting Initiative (GRI) standards, which discloses the main aspects of the Bank's ESG efforts
- As part of the Group's Strategy for 2022-24, it identified strategic sustainability priorities, selecting 11 of the 17 UN Sustainable Development Goals that are relevant to the Bank
- To implement the agenda regarding its indirect impact, Halyk Bank:
  - has integrated ESG into its risk management system
  - continues to introduce responsible financing principles
- Halyk Bank became the first bank in Kazakhstan to join the UN Global Compact
- Halyk Bank published its ESG report for 2022 in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Chairman of the Board's Statement

CHAIRMAN OF THE BOARD’S STATEMENT

Dear shareholders, clients and partners,

The year 2023 will be remembered for increasing geopolitical tension between East and West, slowing economic growth worldwide and disruptions in international logistics. Amid more muted economic activity in the main hydrocarbon-consuming countries, oil prices slumped by 17% year-on-year.

Despite the impact of external macroeconomic and energy-related factors, the military action in Ukraine, disruptions in domestic oil production and a poor grain harvest, in 2023, Kazakhstan’s GDP increased by 5.1% year-on-year. This was considerably higher than the forecasts for both the world and the country by the World Bank and the International Monetary Fund. In addition, the trend was positive in all key sectors, apart from agriculture: compared with 2022, construction expanded by 13.3%, trade by 11.3%, IT and communications by 7.1%, transport by 6.9% and industry by 4.3%. The main drivers of this surge in activity were a recovery in domestic oil production in the fourth quarter, an injection into the economy of an additional KZT1.3 trillion by the National Fund and greater trade. Alongside this, by pursuing a tighter monetary policy, the National Bank of Kazakhstan succeeded in reducing the rate of inflation to 9.8%. Meanwhile, by making injections from National Oil Fund, the government managed to increase investment in fixed assets by 13.7% year-on-year to US$39.5 billion.

The development of Kazakhstan’s financial sector has slowed slightly and entered a more organic phase. However, this has not prevented Halyk Group from achieving its strategic objectives, progressing in developing its key business lines and expanding its presence in Kazakhstan, Uzbekistan and Georgia. Notably, amid rising risks associated with greater international sanctions and the threat that secondary sanctions could be imposed on Kazakh companies, the Bank made appropriate changes to its internal procedures and business processes for controlling payments and accounts of new clients, undertook a major restructuring of the entire compliance, and increased the headcount of the compliance and currency control departments. We believe that this approach will allow us to minimise the various threats to the Bank’s business and help to preserve its reputation in the eyes of the international investment community, rating agencies and external auditors.

In 2023, Halyk Group's net income climbed by 21.8% year-on-year to KZT693 billion, while its consolidated assets increased by 7.6% year-on-year to KZT15.5 trillion, driven by a rise in client funds and debt securities issued. Halyk Group continues to lead with a market share of 29% by assets, placing it well ahead of its closest peers. The loan portfolio accounts for around 60% of its total assets, standing at KZT9.3 trillion in 2023. In terms of loans to customers (on a net basis), the Group had a market share of 32.8%, making it the largest commercial bank lender to the national economy.

SMEs accounted for the most growth in the Group's loan portfolio, at 25.1% year-on-year. This was due to our systematic work to implement Kazakh President Kassym-Jomart Tokayev's call to expand lending to the real sector as a key condition for accelerating economic growth in the country. The Bank is actively involved in all government programmes to support domestic business.

Loans to the Bank's corporate clients grew by 13.4% year-on-year in 2023, reflecting the expectations of large businesses that slowing inflation and subsequent base rate cuts would reduce lending costs. The retail segment of the loan portfolio rose by 22.7% year-on-year.

As the partner of choice in Kazakhstan for most businesses and practically the only bank providing a full range of services, our focus is to maximise the digitalisation of banking services, improve the customer experience and expand the functionality of Onlinebank, our mobile app for corporate customers. Last year, we added new digital products and services to the range of services available through the app. Halyk Bank's digital unsecured bid bonds were particularly popular, their number increasing by 3.7 times and their volume by 4.6 times in 2023. We also achieved impressive results in our transaction banking business, where the volume of transactions by corporate clients climbed by 20% year-on-year to KZT109.5 trillion.

In 2024, the reputable information and analytical firm SME Banking Agency again rated the Onlinebank app highly for its growing popularity, extensive functionality and strong security, as well as the variety and accessibility of the services that it offers for entrepreneurs to manage their finances. The Business Mobile Banking 2024 rankings, which evaluated more than 130 specialised mobile apps, recognised Onlinebank as the leader among mobile banks for businesses in Kazakhstan. Onlinebank was honoured with a similarly high assessment in May 2022.

In parallel with our work to improve services for entrepreneurs, we are actively investing to expand the functionality of the Halyk Super-App for retail clients. Offering a wide range of financial and non-financial services, it is one of the leading online banking platforms for retail customers in Kazakhstan. In 2023 alone, the number of its monthly active users (MAU) reached 7.9 million, up 46.2% year-on-year, while the number of daily active users (DAU) rose by 34.9%.

This rapid growth in the Halyk Super-App's popularity among Kazakh customers can be explained by our one-stop-shop approach to retail banking. We offer a full range of remote banking services within an integrated financial ecosystem, complemented by online insurance, brokerage services, the most popular government services and a variety of unique products designed for active lifestyle customers. These include the Kino.kz service for entertainment tickets, which has a market share of 37%; and the Halyk Travel service for air, rail and intercity bus tickets services, whose sales increased by 20% year-on-year in 2023. In addition, on our Halyk Marketplaceplatform, the volume of purchases climbed by 2.7 times.

Another unique innovation that Halyk Bank implemented through the Halyk Super-App is the kundelik.kz that student receives bonuses for excellent marks, participants: students of grades 5-11. For each excellent mark, a student can receive 100 Halyk bonus points on a Halyk Easy bank card. In addition, more than 50 different online government services are available to Kazakh customers through the Halyk Super-App, more than any other commercial bank in the country. Overall, our clients have used government services through the Halyk Super-App more than 13 million times.

Given the favourable prospects for greater cooperation and closer trade relations with Uzbekistan, Halyk Group considers Kazakhstan's neighbour a priority market in terms of its strategic development plans. Since establishing Tenge Bank there in 2019, it has invested more than US$100 million in its subsidiary's charter capital. As of the end of 2023, the portfolio of loans provided from Halyk Bank's balance sheet for major projects in Uzbekistan amounted to around US$690 million. Over the Group's time in the market, Tenge Bank's assets have increased to US$556 million. In 2023, assets rose by US$161.3 million, of which loans accounted for 83.9%. Such impressive results are due to an effective business model, which focuses on automating business processes, harnessing modern digital solutions and developing online service channels, with an emphasis on mobile banking and a full-cycle e-commerce platform, Tenge Market.

Another key country in terms of Halyk Group's geographic expansion is Georgia, where the subsidiary Halyk Bank Georgia has already been present for over 15 years. Given the rising trade volumes, active expansion of transit corridors, construction of logistics hubs and growing tourism between Kazakhstan and Georgia, the Group sees room to develop its business there further. In August 2023 alone, it invested US$11 million in Halyk Bank Georgia. Underpinned by the Group's commitment to the highest international standards, extensive experience, proven expertise and high ratings, this will help to drive business, adopt cutting-edge IT solutions and meet the growing needs of customers in the country's highly competitive banking market. In 2023, Halyk Bank Georgia's total assets increased to over US$336 million, equity reached US$88 million and net income soared by 40% year-on-year.

As part of the work to analyse the profitability of investments in neighbouring countries, following the divestment of the subsidiaries in Russia and Tajikistan, in 2023, Halyk Group decided to sell 100% of Halyk Bank Kyrgyzstan.

Halyk Group continues to play an active role in Kazakh society, helping the state and citizens to solve everyday issues. For example, in 2023, to support families of employees of a forestry enterprise who died while fighting a fire in the Abay region, we transferred KZT3 million to each and forgave any loans with Halyk Bank. In addition, we were closely involved with the national project Karyzsyz Kogam (Debt Free Society), which the Amanat political party proposed as a way of increasing financial literacy among the population. As the leading provider of commercial loans in the national economy, Halyk Bank sees a duty to create a rational consumer culture among local borrowers and encourage a responsible approach to taking and repaying loans. As financial literacy is particularly low in rural areas, Halyk Bank decided not only to sponsor this much-needed project, but also to send employees to educate entrepreneurs and residents in remote areas about money matters. Individual participants learned how to better manage their personal finances, optimise their income and expenses and protect against fraudsters, while new entrepreneurs learned about how to devise a company budget, prepare tax returns and harness the benefits of state subsidised lending programmes.

Other achievements by Halyk Group in 2023 include high recognition of Halyk Bank's top management from reputable international experts. Notably, Umut Shayakhmetova, Chairperson of the Management Board, won awards from two independent organisations. International Banker, an established industry publication, named her "Banking CEO of the Year in Eastern Europe in 2023", noting her contribution to developing the business in challenging macroeconomic conditions and maintaining a balance among pursuing rapid growth, ensuring risk management and keeping the quality of the loan portfolio high. In addition, the Yuksalish national movement and the Institute for Social and Economic Initiatives in Uzbekistan named her as one of the top 40 women leaders in Central Asia, highlighting her contributions to developing the region's financial community, as well as business, education, sport and society.

Despite the challenges of 2023, the Halyk Group has once again demonstrated that even in complex economic and geopolitical conditions, a properly structured organisation with a well-established corporate governance system and professional management can continue to deliver tangible results through efficient teamwork. We are optimistic about the future and confident that the Halyk Group team is capable of achieving the ambitious goals set out in our current strategy.

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to Halyk Group's shareholders, customers, partners and all our colleagues for their productive collaboration, understanding and support of our strategic vision.

Alexander Pavlov
Chairman of the Board of Directors

Chairperson of the Management Board's Review

CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

Dear clients, partners and shareholders,

The core focus of 2023 for most public institutions and private organisations in Kazakhstan was to collectively overcome the challenges associated with rising global prices, the escalating military conflict between Russia and Ukraine, tightening international sanctions, heightened geopolitical tensions, global supply chain disruptions and a worldwide slowdown in economic growth.

In the year, the government and National Bank implemented numerous effective countermeasures that helped to mitigate the negative impact of these unfavourable factors on Kazakhstan's economy. These included pursuing a tight monetary policy, boosting fixed capital investments to a record KZT18 trillion, increasing domestic production, providing affordable financing for manufacturing projects, enacting anti-monopoly and foreign trade regulations, controlling pricing, and optimising logistics and retail trade.

These comprehensive efforts helped to reduce annual inflation in Kazakhstan to 9.8% and expand GDP by 5.1% in 2023. Amid the ongoing global economic slowdown, this encouraging outcome gives cause for cautious optimism. This is based, in particular, on the gradual easing of monetary conditions, reflecting the beginning of a slowdown in inflation, as well as a general increase in investment activity in the economy, greater business activity in almost all sectors and an acceleration in business lending. By the end of 2024, we expect inflation to be around 8.5%, the base rate to be reduced to 12% and Kazakhstan's GDP growth to be 4-5%, based on various estimates.

In 2023, Kazakhstan's banking sector again demonstrated its resilience and ability to quickly adapt to changes in the operating environment. These included strong inflationary pressures and a high cost of liquidity, increased regulatory oversight, a greater tax burden and tougher lending requirements, a significant escalation of geopolitical risks and multiple increase in compliance workload. At the year-end, the banking sector's aggregate net income was KZT2.2 trillion, up 50% compared with 2022. The increase in banks' income, coupled with a fivefold slowdown in the growth of loan portfolio provisions, helped to increase the sector's capitalisation by 31.3% to KZT6.9 trillion.

During the year, Halyk Bank reaffirmed its ability to achieve its goals in a rapidly changing macroeconomic environment, respond to new and more complex challenges, effectively manage risks and actively develop its business across all market segments. Thanks to the growth of customer funds and debt securities issued, the Bank's assets increased by 7.6% in 2023 to KZT15.5 trillion as of 1 January 2024. Around 63% of the bank's assets are loans to customers, which rose by 18% (gross) in the reporting period, driven by an increase of 13.4% in the corporate segment, 25.1% in the SME portfolio and 22.7% in retail. Meanwhile, the amounts due to customers climbed by 4%. At the year-end, the share of tenge-denominated corporate deposits was 72.9% (up 12.3 percentage points) and the share of retail tenge deposits was 63.4% (up 10.8 percentage points).

Amid such strong growth in lending and transactional banking, the Bank delivered impressive financial results, including net income of KZT693.4 billion, up 21.8% year-on-year. This increase, in turn, drove the Bank's equity capital up 23.1% to KZT2.477 trillion, enabling the Bank to absorb potential external shocks and develop its business confidently in the current volatile environment.

In addition to objective financial metrics, Halyk Bank's high stability and growth prospects are evident in assessments from the international rating agencies Standard & Poor's, Fitch Ratings and Moody's Investors Service. They affirmed the Bank's ratings at their current high levels in 2023, noting among the Bank's strengths its sufficient headroom , strong customer base and dominant position in the banking market, as well as its long history of profitability, solid capitalisation and ample liquidity buffer. Moody's changed Halyk Bank's outlook from 'stable' to 'positive', reflecting expectations that the improvement seen in the operating environment will allow the Bank to grow without taking increased risks, reduce the volatility of its funding base and improve key credit metrics. In addition, in March 2024, after the reporting period, Standard & Poor's revised its outlook on Halyk Bank from 'stable' to 'positive', affirmed the bank's 'BB+/B' international scale ratings and improved its national scale ratings from 'kzAA' to 'kzAA+'.

Over the past few years, a core driver underpinning the success of Halyk Bank's business has been its holistic approach to customer service, as well as its transition from a traditional banking model to an integrated ecosystem of fintech services. Seeking to integrate its extensive customer base of over 10 million retail clients into the digital ecosystem, the Bank is investing significant resources to develop state-of-the-art software solutions and is constantly expanding the range of products, services and facilities available through its mobile apps for retail and corporate customers.

By integrating the Bank's IT systems with the databases of government bodies, Halyk's mobile app now serves as a one-stop shop. Customers can access more than 6,000 commission-free payments, 52 different government services and a wide range of online offerings, including lending, deposits, money transfers, insurance, securities investments and instalment purchases.

Through its holistic service approach and access to government databases, the Bank can offer customers personalised service packages linked to important life events, such as marriage and childbirth, thereby increasing the engagement, satisfaction and loyalty of the customer base. This is driving the popularity of the Halyk Super App. In 2023, the number of unique monthly users of the service soared to 7.9 million, up 46.2% year-on-year, while the number of such daily users reached 2.3 million, up 34.9%.

The Bank's emphasis on introducing modern digital technologies and offering products that anticipate market needs is complemented by its traditional charitable activities well. During its 100th year of operations, Halyk Bank organised its traditional 100 Good Deeds charity marathon. As part of this initiative, it implemented major social projects in the fields of education, culture, healthcare and environmental protection. Together with Halyk Fund, a subsidiary that focuses on charity, it allocated KZT4.0 billion towards sponsorship and charitable assistance during 2023.

The Bank also supported mass sport activities, including its traditional free ice-skating events for all comers in all regions of the country. As part of the People's League social project, it financed training sessions, the purchase of sportswear and sports equipment, and the organisation of the Cup of Hope championship for children from orphanages and sponsored organisations. In addition, the Bank acted as a general partner of the Astana Half Marathon 2023, a massive race in the capital. More than 2,000 people, including 100 employees, ran in the marathon.

Halyk Bank also supported several cultural projects, including the celebration of Nauryz, by setting up themed yurts in all regions of Kazakhstan. It also sponsored the revival of the iconic Asia Dauysy (Voice of Asia) music festival, as well as the organisation of the open-air "Summer Music in Your Favourite City" classical music festivals in Almaty, Aktau, Semey and Aktobe.

Among the important social initiatives implemented with the direct assistance of the Bank are the unique Karyzsyz Kogam (Debt Free Society) project, implemented together with the Amanat party with the aim of teaching financial literacy to 65,000 village residents; the connection to gas networks of private homes of socially vulnerable residents in Almaty and Astana; a charity event for World War II veterans; and the donation of vehicles adapted for people with special needs to regional societies that support people with disabilities in 13 Kazakh cities. As part of its environmental protection efforts, the Bank joined the UN in support of ecological projects by local artists and designers and helped to organise the "Reduce, Reuse, Recycle" event, intended to raise awareness of environmental issues among communities in Kazakhstan.

For the country's youngest citizens, the Bank organised a children's drawing competition to mark Child Protection Day. It also provided assistance to first graders from low-income and large families as part of the Road to School project and supported the construction of children's sport and playgrounds in seven regions of Kazakhstan.

For us, the Bank's 100th anniversary is an occasion to look back at our achievements and review important lessons learned. We look to the future with cautious optimism, making plans based on a thorough analysis of the macroeconomic and geopolitical situation, considering all possible risks and exploring the most likely scenarios. This approach has laid the foundation for the Bank's new medium-term strategy covering 2025-27. It is already clear that the Bank and Halyk Group will continue to deepen its digitalisation and customer focus while introducing new products, not only in banking but also in non-banking areas, to expand our multifunctional ecosystem. Our most important goal remains unchanged: to maintain the financial stability, leading positions and strong performance of both the Bank and Halyk Group as a whole.

Umut Shayakhmetova
Chairperson of the Management Board

6

Board of Directors

Alexander Pavlov
(b. 1953)

Chairman, Independent Director

Arman Dunaev
(b. 1966)

Independent Director

Mr Pavlov was elected Chairman of the Board of Halyk Bank in March 2004 and re-elected to the same post in May 2023. Mr Pavlov has held numerous high-level posts in Kazakhstan's government over the years, including first deputy prime minister, deputy prime minister – minister of finance, and head of the Main Tax Inspectorate – first deputy minister of finance. He has also worked in managerial positions in large Kazakh machinery and natural resource companies and represented Kazakhstan at numerous international financial organisations.

Mr Pavlov is a graduate of the Belarus State Institute of People's Economy, where he specialised in economics (1970-74), and of the Academy for Social Sciences of the Central Committee of the Communist Party of the USSR, where he specialised in political science (1991).

Mr Dunaev was elected to the Board of Halyk Bank in September 2013 and re-elected to the same post in May 2023.

Mr Dunaev's experience in Kazakhstan's government includes such posts as first deputy minister of finance, minister of finance and chairman of the Agency for Regulation and Supervision of the Financial Market and Financial Organisations. He has also held managerial positions in the quasi-government sector. He is currently a member of the boards of directors of several Halyk Bank subsidiaries.

Mr Dunaev is a graduate of Kazakh State University named after S. Kirov with a degree in political economy and has a PhD from Moscow State University named after M. Lomonosov.

Franciscus Cornelis Wilhelmus (Frank) Kuijlaars

(b. 1958)

Independent Director

Zhomart Nurabayev

(b. 1971)

Representative of Holding Group ALMEX

Mr Kuijlaars was elected to the Board of Halyk Bank in April 2009 and re-elected to the same post in May 2023. From 1990 to 2007, Mr Kuijlaars served at ABN AMRO Bank and later at RBS as head of corporate and investment banking in Belgium, regional manager in Brazil and country manager in Russia and Argentina. He was a member of the supervisory board in Russia, Kazakhstan and Uzbekistan. After his appointment as corporate executive vice president in 2001, in addition to supervision of global energy issues, he was a member of the executive committees of EMEA countries, as well as a member of the corporate and investment banking committee.

Mr Kuijlaars is an adviser to several international organisations and for a long time was a member of the Foreign Investor Council of the President of the Republic of Kazakhstan. He was chairman of the board of directors and an independent director of National Company KazMunayGas, as well as an independent non-executive director and independent member of the supervisory board of Amsterdam Trade Bank N.V.

He is the owner and managing director of Eureka (Energy) Ventures B.V. Mr Kuijlaars received a master's in law from Erasmus University (Netherlands). He studied at the Dutch Institute of Banks and Insurance Companies and in a number of postgraduate programmes in such international institutions as Fontainebleau (France), Cambridge (UK) and Harvard Business School (US).

Mr Nurabayev was elected to the Board of Halyk Bank in December 2023 as a representative of Holding Group ALMEX. He has served on the board of directors of Halyk Global Markets since September 2023.

At different stages of his career, Mr Nurabayev has held such key government positions as deputy chairman of the Tax Committee for the Jetysu, Almaly and Medeu Districts of Almaty; head of the Taxpayer Relations Department of the Tax Committee for Almaty; head of the Department for the Taxation of Income of Legal Entities of the Tax Administration for Almaty; and tax inspector at the Department of Inspection and Control for Compliance with Tax Legislation of the Main Tax Inspectorate of the Ministry of Finance of Kazakhstan. He has also held senior positions at financial and commercial organisations. From February 2014 to February 2024 – Deputy Chairman of the Management Board of ALMEX Holding Group JSC.

From February 2024 to the present – Chairman of the Management Board of ALMEX Holding Group JSC.

Mr Nurabayev graduated from Kazakh State Academy of Management with a degree in economics and from Abai Kazakh National Pedagogical University with a degree in law.

Zhaksybek Kulekeyev
(b. 1957)

Independent Director

Mr Kulekeyev was elected to the Board of Halyk Bank in December 2023.

Mr Kulekeyev has held such key government positions as minister of education and science of Kazakhstan, chairman of the Accounts Committee for Monitoring the Execution of the National Budget of Kazakhstan, minister of economy and trade of Kazakhstan, minister of economy of Kazakhstan and chairman of the Statistics Agency of Kazakhstan. He has worked in senior positions in the quasi-public sector (National Company Kazakhstan Temir Zholy and National Company KazMunayGas).

In addition, Mr Kulekeyev has served as a member of the board of directors and independent director at KazAzot since June 2023; chairman of the board of directors of Gumilyov Eurasian National University since October 2022; a member of the board of directors and independent director at the Social Health Insurance Fund since January 2020; and scientific director at Applied Economics Research Centre since October 2010.

Mr Kulekeyev worked at the Turar Ryskulov Kazakh Economic University (Almaty Institute of National Economy) as a teacher, senior lecturer, associate professor and head of the Department of Microeconomics. He also served as governor and deputy governor of the Asian Development Bank.

Mr Kulekeyev graduated from Kazakh State University named after S. Kirov with a degree in mathematics, defended his dissertation at the Almaty Institute of National Economy and received a PhD in economic sciences. He is an associate professor in applied mathematics from the USSR State Committee for People's Education. The Higher Attestation Committee of the Ministry of Education and Science of Kazakhstan awarded Mr Kulekeyev the title of professor of economics.

Hermann Tischendorf
(b. 1971)

Independent Director

Mr Tischendorf was elected to the Board of Halyk Bank in May 2023.

From May 2012 to October 2016, he served as chief information officer, managing director and a member of the board at Eurasian Bank in Almaty. From October 2017 to August 2019, he was chief technology officer and a member of the executive committee – technical director at SMARTNet LLC (SmartPay) in Ho Chi Minh City (Vietnam). From October 2018 to August 2019, he worked as chief information officer, head of the IT department and a member of the executive board (owner of SMARTnet/SmartPay) at FEC VPBank Finance Company in Ho Chi Minh City (Vietnam). From November 2019 to July 2021, he served as chief technology officer and a member of the executive board at 4Finance Group in Riga (Latvia).

Since October 2016, Mr Tischendorf has been a senior partner and technical director (shareholder) at MARFOR International Advisory in New York and Jacksonville (US). Since November 2019, he has been the chief technology officer and a member of the executive board at MTN Group in Johannesburg (South Africa).

Mr Tischendorf holds a master's degree in economics with a specialisation in operations research and information/data science from the University of Graz (1998). In 1997, he graduated from the John E. Anderson Graduate School of Management at the University of California, Los Angeles, with a degree in economics, international finance, money markets and macroeconomics. In 2021, he completed the course "Fintech Revolution: Transformative Financial Services and Strategies" at the Wharton School of the University of Pennsylvania.

Piotr Romanowski
(b. 1969)

Independent Director

Umut Shayakhmetova
(b. 1969)

Member of the Board of Directors, Chairperson of the Management Board

Mr Romanowski was elected to the Board of Halyk Bank in May 2020 and re-elected to the same post in May 2023.

From 1998 to 2008, Mr Romanowski worked at the consulting company McKinsey & Company (Poland), including as a manager / senior manager until 2004 and as a partner from 2005 to 2008. From 2008 to 2009, he served as a member of the management board at Bank Millennium (Poland), overseeing the corporate banking division. In 2009, he became the first external investor in Selvita and Ryvu Therapeutics (Poland), where he has served as chairman of the supervisory board since 2011. From 2011 to 2014, Mr Romanowski was a partner and leader in financial services for Central and Eastern Europe / CIS at PwC (Poland). From 2014 to 2018, he served as a member of the management board of PwC Central and Eastern Europe / CIS in charge of advisory services; and from 2017 to 2018, he was also a leader in the market for clients from CIS countries. Since February 2021, he has served as chairman of the board of directors of Kevin EU, UAB (Lithuania).

In 2017, Mr Romanowski graduated from the executive education programme in data analytics at Harvard Business School (US). In 2016, he completed the executive education programme at Singularity University (US). In 1995-97, he studied at Cambridge University (UK) and received a PhD in molecular biology from the Wellcome / CRC Institute. In 1987-94, he studied at Gdansk Medical Academy (Poland), where he received a PhD in cancer genetics in 1995.

Ms Shayakhmetova was appointed as Chairperson of the Management Board of Halyk Bank on January 2009. She was elected as a member of the Board of Directors in April 2009 and re-elected to the same post in May 2023.

Over the years, Ms Shayakhmetova served as chairperson of the management board of ABN AMRO Asset Management and deputy chairperson of the management board of ABN AMRO Bank Kazakhstan. She became deputy chairperson of the management board of Halyk Bank in November 2004. From May 2011 to February 2021, she was president of the Gymnastics Federation of Kazakhstan. In June 2015, she was elected chairperson of the Regional Council of Businesswomen at the Chamber of Entrepreneurs in Almaty. In June 2016, she was appointed as chairperson of the Financial Sector Committee of the Presidium of the Atameken National Chamber of Entrepreneurs and chairperson of the Regional Council Eastern Europe, Central Asia, Russia and Caucasus at UnionPay International. Since June 2018, she has been a member of the board of directors and representative of Halyk Bank at Altyn Bank.

Ms Shayakhmetova is an economics graduate of the People's Friendship University named after P. Lumumba (Russia) and holds an MBA from Rutgers University (US).

Management Board

Halyk

Umut Shayakhmetova
(b. 1969)

Chairperson of the Management Board

Please refer to the “Board of Directors” section.

Murat Koshenov, CFA, FRM
(b. 1973)

Deputy Chairman: International Activities, Finance and Accounting, Subsidiaries and Compliance

Mr Koshenov has been deputy Chairman of the Management Board of Halyk Bank since September 2014. He has also been chairman of the board of directors of Tenge Bank since September 2018. From November 2014 to December 2022, he was chairman of the board of directors of Moskommertsbank.

Mr Koshenov has worked in finance and banking since 2000. From 2000 to 2010, he worked first as head of broker-dealer operations at ABN AMRO Asset Management, and then as risk manager, head of the risk management division and deputy chairman of the management board at SB ABN AMRO Bank Kazakhstan (later SB RBS (Kazakhstan)). He joined Halyk Bank in January 2010 as chief risk officer and then served as compliance controller.

Mr Koshenov has a degree in physics from Al-Farabi Kazakh National University and an MBA from the Kazakhstan Institute of Economics, Management and Strategic Research.

Olga Vuros
(b. 1983)

Deputy Chairperson: Corporate Business

Dauren Sartayev
(b. 1982)

Deputy Chairman: SME Banking, Marketing and PR, and Acquiring

Ms Vuros has been deputy Chairperson and a member of the Management Board since April 2022.

At Halyk Bank, Ms Vuros has held the following positions: director of the Corporate Banking Department, head of Division in the Corporate Banking Department, chief manager of Division No. 1 in the Corporate Banking Department, and senior manager of Division No. 1 in the Corporate Banking Department.

Ms Vuros graduated from Abai Kazakh National Pedagogical University with a degree in international economics and holds an MBA specialising in management from the International Academy of Business.

Mr Sartayev has been deputy Chairman of the Management Board of Halyk Bank since July 2018, as well as a member of the supervisory board of Tenge Bank since March 2023.

Mr Sartayev began working in the banking industry in 2004 at Kazkommertsbank, where he held the positions of manager, head of SME banking and head of small business banking. From 2010 to 2012, he worked at Temirbank as head of credit risk, branch director and director of problem loans. He was appointed as a member of the management board and managing director of Kazkommertsbank in June 2016, where he oversaw corporate lending, SME banking and the branch network. In July 2017, Mr Sartayev became deputy chairman of the management board of Kazkommertsbank. He previously worked at Kcell, where he headed the branch in the city of Shymkent and managed the offices in Almaty and Almaty region. He also worked at the Kazakhstan representative office of the international auditing firm Ernst and Young.

Mr Sartayev has a law degree from Kazakh Humanitarian and Law University in Almaty. He also holds an MBA in strategic management and entrepreneurship from Moscow International Higher Business School and an MBA in strategic management from Kazakh Economic University named after T. Ryskulov

Zhumabek Mamutov
(b. 1982)

Deputy Chairman: Retail Banking

Nariman Mukushev
(b. 1984)

Deputy Chairman: Digital Public Services and Ecosystems

Mr Mamutov has been deputy Chairman of the Management Board of Halyk Bank since October 2019. In November 2021, he was appointed as a member of the supervisory board at Halyk Finservice. In January 2023, he was elected chairman of the board of directors of Halyk Life.

Mr Mamutov has worked in banking since 2004. From 2004 to 2008, he held the following positions: director of the Zangar branch at SB ABN AMRO Bank Kazakhstan; head of the retail banking division of the retail banking department, and then business development manager at SB ABN AMRO Bank Kazakhstan; and branch affairs specialist of the marketing department of NPF ABN AMRO KaspiyMunayGaz Kazakhstan. From 2008 to 2009, he was head of the regional and sales administration of the HNWI department at Kazinvestbank. Mr Mamutov worked at Kazkommertsbank from January 2010 to February 2014 and again from July 2015 to May 2017 in the following roles: managing director, executive director of the office of the management board, executive director of the card business development department, executive director of the banking card department, adviser to the office of the chairman of the management board, adviser to the executive directorate of the chairman of the management board, and director of the retail banking department. From February 2014 to July 2015, he was director of the department for planning and monitoring the implementation of retail banking strategies at SB Sberbank. From May 2017 to February 2018, Mr Mamutov was deputy chairman of the management board at Bank Kassa Nova, as well as member of the management board and deputy chairman of the management board at Nova Leasing. From February 2018 to October 2019, he held the position of member of the management board and deputy chairman of the management board at Forte Bank.

Mr Mamutov has a degree in statistics from Kazakh Economic University named after T. Ryskulov.

Mr Mukushev has been deputy Chairman and a member of the Management Board since April 2022.

Mr Mukushev has worked at Halyk Bank since May 2021 and previously held the position of managing director. On 1 April 2022, he joined the Management Board. In April 2023, he was elected chairman of the supervisory board of Halyk Finservice. In November 2023, he was elected as a member of the board of directors of the joint company Private Company Open Networks Ltd.

Before joining Halyk Bank, he was deputy minister of labour and social protection of the population. Prior to that, he worked at Kazpost, where he was managing director for business transformation and member of the management board responsible for IT, managing director for innovation and member of the management board responsible for IT, chief IT director, and managing director and director of the IT Department. He also previously held positions ranging from specialist to director of the Innovative Technology Department at Kazkommertsbank.

Mr Mukushev graduated from the Süleyman Demirel University with a degree in computer hardware, software and networks, as well as the International Academy of Business with an MBA in management.

Yertai Salimov
(b. 1974)

Deputy Chairman: Operations, Chancellery, Resources, Contact Centre and Treasury

Mr Salimov has been deputy Chairman of the Management Board of Halyk Bank since September 2020 and held the same post from February 2015 to October 2019. In February 2019, he became a member of the board of directors at Halyk Finance. From August 2018 to November 2022, he was a member of the supervisory board of Halyk Bank Tajikistan. From October 2019 to August 2022, he was director of the Astana region branch of Halyk Bank. From March 2021 to February 2022, he was chairman of the supervisory board at Halyk Collection. On 27 November 2023, he was elected as a member of the board of directors of Halyk Global Markets.

Mr Salimov joined Halyk Bank in August 1995 and has extensive experience of operations at the Bank. He has worked as deputy head of the non-trading operations and precious metals desks in the foreign exchange operations department; a leading banker on the precious metals handling and precious metals desks in the international operations department; chief banker on the commodity desk in the trade finance department; chief banker on the commodity desk in the commercial department; senior dealer in the treasury; head of forex, money market operations and head of trading operations in the treasury; deputy director and director in the treasury; head of the chief operations department; chief operating officer; member of the board and independent director of the Kazakhstan Stock Exchange; and chairman of the board of Halyk Finance.

Mr Salimov has a degree in finance and credit from the Kazakh State Academy of Management.

Roman Maszczyk
(b. 1966)

Deputy Chairman, Head of Risk Management: Risks and Data Science

Mr Mashchyk has been deputy Chairman and a member of the Management Board and a chief compliance controller since April 2022, and head of Risk Management since September 2023.

Mr Mashchyk has worked at Halyk Bank since October 2020 and was previously director and project manager of the Digital Lending Risk Department and director of the Chief Data Scientist Office. In April 2022, he became deputy Chairman and a member of the Management Board, as well as chief compliance controller. In September 2023, he also became head of Risk Management and covered all of the roles. Since March 2024, he has been deputy Chairman of the Management Board and head of Risk Management. Before that, he served in numerous positions. These include deputy chairman of the management board and director of the Risk Department at BankCenterCredit; commercial director of Asseco Kazakhstan; deputy chairman of the management board of CRO; adviser to the chairman of the management board of Eurasian Bank; adviser to the chairman of the management board of Bank Pocztowy; adviser to the chairman of the management board and managing director for Risks and Risk Management at PKO BP SA Poland; deputy chairman of the management Board at CRO Nadra Bank in Kyiv (Ukraine); chief risk adviser to the president and member of the executive committee at CRO National Bank Trust in Moscow (Russia); managing director for Risks and Risk Management at PKO BP SA Bank; member of the supervisory board at PKO BP SA Bank, PKO-Inwestycje and Bankowy Fundusz Leasingowy in Warsaw (Poland); director of the Financial Risk Department at PKO BP SA Bank; senior analyst for treasury bank transactions at Handlowy; chief analyst for Asset and Liability Management at the Control and Financial Analysis Faculty of BISE S.A. Bank; and professor in the Faculty of Physics at the University of Warsaw.

Mr Mashchyk holds a master's and a PhD in theoretical physics from the University of Warsaw. He has also completed postgraduate studies in mathematics at the University of Oxford and in banking at the Warsaw School of Banking and Finance.

Aivar Bodanov
(b. 1962)

Deputy Chairman: Security and Problem Loans

Mr Bodanov was re-appointed as deputy Chairman of the Management Board of Halyk Bank in March 2018, having been director of the Security Department and Deputy Chairman of the Management Board from September 2014 to May 2017. He has been chairman of the supervisory board at Halyk Collection since February 2022, a member of the supervisory board at Halyk Collection since March 2021 and chairman of the supervisory board at Halyk Aktiv and KUSA Halyk since August 2018.

Mr Bodanov started his career in 1984 as a high-voltage overhead specialist for Dzhambul Grid Operating Company. He then worked as a specialist and senior producer at the Grazhdanstroy construction enterprise, as well as a chief engineer at the Kultbytstroy construction enterprise. In 1988-89, he attended the Sverdlovsk Higher Courses of the Ministry of Internal Affairs of the USSR. From 1990 to 2014, Mr Bodanov held numerous posts in the Department of Internal Affairs, the State Investigative Committee and the Tax and Financial Police. These included deputy head of the Agency of Kazakhstan for Combating Economic Crimes and Corruption; head of the Department for Combating Economic Crimes and Corruption in Almaty and West Kazakhstan regions; head of the Department for Investigating Economic and Financial Crimes under the Agency of Kazakhstan for Combating Economic Crimes and Corruption; deputy head of the Financial Police Department in Kyzylorda, South Kazakhstan and Atyrau regions; and others.

From May to December 2017, Mr Bodanov served as head of the Internal Investigations Department and head of the Third Service of the General Prosecutor's Office of Kazakhstan. From February to March 2018, he was head of the Department of Internal Security and Prevention of Corruption in the Courts of the Department for the Support of the Courts of the Supreme Court of Kazakhstan.

Mr Bodanov holds the rank of Major General in the Financial Police. He is a graduate of the Dzhambul Irrigation and Construction Institute, where he specialised in hydraulic engineering of river constructions and hydroelectric power plants, and holds a law degree from the Karaganda Higher School under the Ministry of Internal Affairs of Kazakhstan.

8

Key Events

Halyk

KEY EVENTS

January

- Halyk Bank became the first bank in Kazakhstan to join the UN Global Compact.
- The Bank offered free public ice skating throughout Kazakhstan as one of the major events to mark its 100th anniversary.
- Halyk Bank introduced the corporate open-source software-based ModelOps platform. The project was devised by a team of experts from the international integration company Databorn. The solution helped to at least halve the time-to-market of ML models.
- With the support of the Kazakh Ministry of Justice, a new service was introduced in the Halyk Super-App to let people check the name of a legal entity, the place and date of its state registration, the details of its director and founder(s), its business profile, and information about its branches and representative offices in the country. This information can be useful when looking for the right business partner or employer.
- Halyk Life organised "The Era of Change" forum in Almaty, which more than 100 of the leading insurance agents from Kazakhstan's regions attended.
- Halyk Life launched a project with Halyk Bank to sell through the latter the Baiterek programme, which focuses on providing customers with financial protection, long-term savings and additional income.
- At an Association of Financiers of Kazakhstan event, Halyk Life took part in several meetings to showcase the online insurance process, and life insurance companies, the State Credit Bureau and the Unified Accumulative Pension Fund agreed on a process for exchanging data when concluding and terminating pension annuity agreements
- Halyk Life launched the Gamisoft training platform for universal life insurance products.

February

- The Halyk Super-App launched another service to make it easier for Kazakh residents to access government services. Now both grooms and brides can apply to register their marriages through the app.
- Also in the Halyk Super-App, the Bank added a request to legalise a foreign car. To do this, information about the previous owner and the car simply need to be entered in the app. Once signed, the request is sent to the Ministry of Internal Affairs for preliminary verification, and the result is sent to the applicant as a push notification.
- The Bank increased the charter capital of Halyk Collection by KZT1.26 billion to KZT1.666 billion by making an additional cash injection.
- Halyk Life released a new universal life insurance product called Bilim-Life as part of the state educational savings system.
- Halyk Life launched a new product called GONS and a digital process for concluding an agreement for the Bilim-Life product.

March

- Halyk Finservice registered a subsidiary in Uzbekistan.
- Halyk Bank Kyrgyzstan launched remote video-based identification in its mobile internet banking.
- Kazteleport launched sales of cloud services in the Uzbek capital Tashkent.
- Halyk Finance received the awards "Equity Market Leader" and "Equity Market Underwriter of the Year" from the KASE exchange.
- Halyk Finance received the AIX exchange award "Best Broker in the Debt Instruments Market".
- Halyk Finance was recognised as the best investment bank in Kazakhstan by the international publication Global Finance.
- S&P Global Ratings affirmed Halyk Life's long-term financial strength rating of 'BBB-' (Country Rating) and 'kzAAA' on the national scale and revised the outlook from 'negative' to 'stable'. These ratings correspond to the country level based on the S&P Global Ratings scale.
- The AM Best rating agency upgraded its financial strength rating for Halyk Life from 'B+' to 'B++', as well as its long-term credit rating from 'bbb-' to 'bbb', the outlook for both 'stable'. The rating is the highest among life insurance companies in Kazakhstan.
- Tenge Bank received the "Best Technology Partner" award from Mastercard.

April

- Halyk received the “Best Employer of 2022” certificate and a Luca Awards (Luca Pacioli) statuette from the Institute of Certified Financial Managers (ICFM), which noted that the Bank is a responsible employer that supports the professional development and proficiency of its employees.
- Fitch Ratings affirmed Halyk Finance’s long-term issuer default ratings in foreign and local currencies at the investment level of ‘BBB-’ with a ‘stable’ outlook.
- As part of the environmental campaign “One Hundred Shoots of a New Life”, employees from Halyk Life planted 70 ash seedlings at the Atakent Children’s Culture Centre in Almaty. Staff from branches in the cities of Karaganda, Zhezkazgan, Petropavlovsk, Kostanay, Semey, Ust-Kamenogorsk and Uralsk took part in the campaign.
- Halyk Insurance Company registered to become an official reinsurer in India (Cross-Border Reinsurer), enabled it to increase its risk portfolio and premiums for incoming reinsurance from India. As part of its first steps into this market, the company collected KZT251 million in reinsurance premiums in 2023.

May

- The annual General Shareholders Meeting approved payment of dividends on the Bank’s common shares based on the results for 2022.
- The Halyk digital ecosystem introduced a service for workers to receive social benefits if they lose their jobs. The service was implemented jointly with the Ministry of Labour and Social Protection of the Population, the Ministry of Digital Development, Innovations and Aerospace Industry, the Centre for the Development of Labour Resources and National Information Technologies.
- S&P Global Ratings affirmed the ratings of Halyk Bank at ‘BB+/B’ and ‘kzAA’ with a ‘stable’ outlook.
- Halyk Finservice launched a new project called Halyk Logistics to arrange a delivery service for orders placed on the marketplace and establish an extensive network of parcel terminals and order pick-up points.
- Halyk Finance served as a financial consultant and underwriter for KMF Microfinance Organisation’s placement of KZT10 billion in one-year bonds.
- The corporate advertising newsletter Halyk-Life iNFO won a competition among corporate media in the category “Best Corporate Magazine” at the 19th “Time of Changes and Challenges” International PR Forum, held in Almaty.
- Halyk Life became the first life insurance company in Kazakhstan to publish a sustainability report, for 2022.
- Tenge Bank opened a banking services centre in Andijan.
- Tenge Bank received a principal’s licence in the Visa international payment system, making it possible to transfer money from Uzbekistan to Kazakhstan in the bank’s mobile app.

June

- Joint-Stock Company Halyk Savings Bank of Kazakhstan was re-registered as Joint-Stock Company Halyk Bank of Kazakhstan following a change in the bank’s name.
- Halyk announced the early partial return of KZT28.4 billion in state aid as part of the dividend payment for 2022.
- The families of people killed while putting out a fire in the Abay region received KZT3 million each from Halyk, which also wrote off existing loans for the victims and their family members.
- Halyk Bank received the “Best Green Investment Bank” award from the Green Finance Awards for its commitment to environmental values and introduction of sustainable development principles.
- The Halyk app introduced a service to re-issue driver’s licences in collaboration with the Kazakh Ministry of Internal Affairs.
- Based on the results of 2022, Halyk Life distributed KZT69.9 million in profit from investment activities as insurance dividends among holders of 24,000 universal life insurance contracts.

July

- Halyk Bank opened a branch in the Almaty region city of Konaev. It provides a full range of banking services for individuals and legal entities, including a full line of credit and deposit products, beneficial solutions for financing small and medium-sized businesses as part of government programmes, operational and cash management services, and support for salary projects.
- Euromoney recognized Halyk as the best bank in Kazakhstan.
- Halyk Bank co-organised the legendary Asia Dauysy Festival, which returned to Almaty after 19 years.
- Halyk Finance won three awards from Cbonds Awards in the categories “Best Investment Bank of Kazakhstan”, “Best Management Company of Kazakhstan” and “Best Bond Market Analytics in Kazakhstan”.
- Halyk Finance won awards from the EMEA Finance international publication in the categories “Best Investment Bank in Kazakhstan”, “Best Broker in Kazakhstan” and “Best Investment Bank in the Equity Market in Central and Eastern Europe”.
- Halyk Finance served as a joint underwriter for National Company Kazakhstan Temir Zholy’s placement of KZT118.9 billion in two-year bonds.
- The Astana Forum 2023 – which this time focused on “Expanding Business with Halyk Life” – was held, and more than 300 insurance agents from Kazakh regions attended.

August

- The Halyk Onlinebank app launched a tax return filing service for form 250 on individual assets and liabilities. The service was introduced in cooperation with the State Revenue Committee of the Kazakh Ministry of Finance.
- Halyk Bank Kyrgyzstan launched the Yourbi mobile internet banking service for individual entrepreneurs and the automated Soft Collection service for retail business.
- Forbes Kazakhstan named Halyk Life the best insurance company in 2022.
- Halyk Life insured all participants of the “Tour of World Class Almaty 2023” cycling race against accidents during the event.
- Halyk Life organised the annual Donor Day charity event with the Almaty City Blood Centre for Halyk Group companies, and 75 people attended.
- S&P Global Ratings affirmed Halyk Life’s long-term financial strength rating of ‘BBB-’ (Country Rating) and ‘kzAAA on the national scale with a ‘stable’ outlook.
- Halyk Life introduced an online process for concluding Halyk Kazyna insurance contracts in the Halyk Super-App.

September

- Halyk Finance served as a joint bookrunner for Bi Development’s placement on the AIX of US$13.5 million in coupon bonds maturing in September 2024.
- Halyk Life held a major clean-up to remove rubbish left by holidaymakers from nature spots near Almaty in an effort to promote 'green’ behaviour among the public.
- Halyk Insurance Company launched the online registration of the HALYK KASKO product (Standard and VIP) through the online version of the website (https://797.polisonline.kz) via video call.

October

- Halyk Life launched the Halyk Kazyna product in the mobile apps of Altyn Bank (Altyn-I) and Halyk Bank, and also introduced a digital process to conclude insurance contracts on a voluntary deferred annuity with participation in the profits of Life-Rent+ (with an electronic file).
- Fitch Ratings affirmed the long-term rating of Halyk Bank Georgia at ‘BB+’ with a ‘stable’ outlook.
- Halyk Bank acquired a 50% stake in the charter capital of Open Networks Ltd, a private company.
- Tenge Bank and Bank of New York Mellon signed an agreement to open a correspondent account.

November

- Umut Shayakhmetova was declared one of the Top 40 women leaders of Central Asia. The Yuksalish national movement (Uzbekistan) and the Institute of Social and Economic Initiatives prepared the Women Leaders of Central Asia rating with the support of experts.
- Halyk Bank announced that it reached an agreement with a consortium of buyers that are part of the investment group Visor International DMCC on the sale of 100% of Halyk Bank Kyrgyzstan.
- Halyk Finance become the leader in terms of the volume and yield of pension assets under management among private management companies.
- Halyk Finance served as a joint coordinator and bookrunner for a share offering by Samruk-Kazyna and KEGOC on the KASE and AIX. In addition, Halyk Group became the leader in terms of funds attracted from retail investors.
- Halyk Life introduced a digital process to conclude Life-Doroga voluntary life insurance contracts (for people travelling abroad), and also introduced a digital process for policyholders to submit notifications about insured events online using the Mandatory Accident Insurance product.
- Halyk Insurance Company developed and introduced the new Travel product, which offers medical insurance for tourists.
- Halyk Insurance Company introduced an insurance pool through the sales channel of Toyota Financial Services Kazakhstan with its partners Toyota Insurance Management (insurance brokers) and Oil Insurance Company.
- Halyk Insurance Company entered the Chinese market as a local partner/insurer with a view to further reinsuring risks from Chinese reinsurers with a high financial strength rating (S&P rating no lower than ‘A-’). The first transactions were concluded in December 2023.

December

- Halyk Bank repaid ahead of schedule KZT40 billion worth of historical state aid received by Kazkommertsbank in 2015.
- The reputable international publication International Banker announced the results of the traditional Best Banking Award 2023. Umut Shayakhmetova, Chairperson of the Management Board at Halyk Bank, won the category “Best Banking CEO of the Year Eastern Europe 2023”.
- Halyk Bank received an award from PwC for the best disclosure of ESG information in the financial sector.
- At an extraordinary General Shareholders Meeting, the powers of Mazhit Yessenbayev, a member of Halyk Bank’s Board of Directors, were terminated early from 1 December 2023 at his request. The size of the Board of Directors was increased from seven to eight members, Zhaksybek Kulekeyev was elected as an additional independent director and Zhomart Nurabayev was elected as a representative of Holding Group ALMEX.
- Kazteleport commissioned the building of a new data centre in Astana, which has 100 racks and meets the TIER III reliability level.
- Halyk Finance retained its leading position in terms of pension assets under management among private pension insurance companies and of return on pension assets under management among all pension savings managers.
- In 2023, Halyk Finance topped the Cbonds ranking of organisers of all bond issues in Kazakhstan, with total placements of KZT657.7 billion and a market share of 38.9%, as well as market bond issues in the country, with total placements of KZT394 billion and a market share of 44.4%.
- In the web version of Onlinebank, Halyk Insurance Company launched an insurance section with two products: compulsory civil liability insurance for vehicle owners and notaries.
- Tenge Bank launched instant transfers to Halyk Bank cards.

Over 2023

- As part of a programme to improve financial literacy, Halyk Life held a national competition among journalists for the best reports on life insurance in Kazakhstan. The competition included an award ceremony for 15 winners in categories among 51 reports on the insurance market.
- Employees of Halyk Insurance Company organised and implemented seven ESG projects (clean-up work, tree planting, the Teplo (“Warmth”) box for collecting items for charity, an eco-project for children of employees, bird feeders, apple picking and T-shirts made from recycled materials for employees).
- Halyk Insurance Company signed a memorandum on the creation of the Turan international reinsurance initiative. The goal is to bring participants together to create greater overall reinsurance capacity and improve the quality of risk portfolios. Countries that signed the memorandum include Azerbaijan, Georgia, Kazakhstan, and Uzbekistan. As a result, all Kazakh general insurance companies will be able to enter the markets of these countries, and Halyk Insurance Company will assume part of the risks associated with expansion. Other companies that signed the memorandum include AzRe Reinsurance (Azerbaijan), Aldagi Insurance Company (Georgia) and Apex Insurance (Uzbekistan). The insurance broker Marsh will administer the reinsurance pool.
- The mandatory protection reserve for property risks, both risks and catastrophic events, was doubled to KZT20 billion, which is the largest among Kazakh insurance companies. This increase enables Halyk Insurance Company to retain a larger volume of risks and premiums and gives it a competitive advantage over market peers.

Awards

Halyk

AWARDS FOR 2023

HALYK BANK

Euromoney

Best Bank in Kazakhstan

Institute of Certified Financial Managers (ICFM)

Best Employer (2022)

Global CIO

GovTech: Best IT Project in E-Government

AIX

Best Employer (2022)

AIFC

Best Green Investment Bank

PwC

Annual / ESG Report for 2022 Recognised as the Best Among Financial Companies in Kazakhstan

KASE

For Significant Contribution to Attracting Investors (2023)

For Introducing ESG Standards

Market-Maker of the Year in the Government Securities Market (2023)

For Contribution to the Development of the Government Securities Market (30th anniversary of KASE)

For Contribution to the Development of the Foreign Exchange Market (30th anniversary of KASE)

Equity Market Leader (2023)

For Development of the Retail Investors Market (30th anniversary of KASE)

HALYK FINANCE

Cbonds

Best Bond Market Analytics in Kazakhstan

Best Investment Bank in Kazakhstan

Best Management Company in Kazakhstan

EMEA Finance

Best Broker in Kazakhstan

Best Investment Bank in Kazakhstan

Best Investment Bank in the Equity Market in Central and Eastern Europe

Global Finance

Best Investment Bank in Kazakhstan 2023

KASE

Equity Market Leader

Equity Market Underwriter of the Year

AIX

Best Broker in the Debt Instruments Market

AWARDS FOR 2023

TENGE BANK

AsiaMoney Awards
Best International Bank (2023)

The Banker Awards
Bank of the Year in Uzbekistan (2023)

Visa Awards
Strategic Cooperation for a Promising Year Ahead (2023)

Mastercard Awards
Best Technology Partner (2022)

Finance Derivative
Best International Bank

PLUS Awards
Accessibility of Banking Business for the Best Technical Solution: Card Machines (2023)

HALYK BANK KYRGYZSTAN

WasteNet.KG
Green Waste Leaders - 2023

SME Banking Agency
Recognised as one of the three best online banks for business in Kyrgyzstan

USAID
For active cooperation and significant contribution to the development of the economy of the Kyrgyz Republic

VISA
Special Award – Strategic synergy for a promising year ahead

HALYK LEASING

National Analytical Center
“Star of the Industry 2022” award, indicating a reliable and socially significant enterprise in the country in the financial leasing (except of medical equipment and technology) industry

Macroeconomic and Banking Review

Halyk

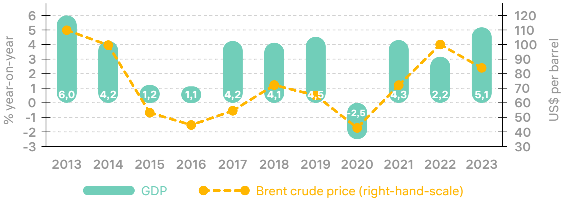
MACROECONOMIC AND BANKING REVIEW

Following moderate growth in 2022, the Kazakh economy picked up considerably in the last quarter of 2023, and GDP growth for the year reached 5.1%. The increased business activity in 2023 was driven by an unplanned injection by the National Fund of an additional KZT1.3 trillion in funds into the economy, a recovery in oil production and a simultaneous rise in trade. In addition, the low base of the previous year's GDP growth, of just 3.2%, played a substantial role in the economy achieving record growth since 2013.

The external economic conditions were exacerbated by geopolitical instability and high interest rates of central banks in various key countries. The global economy slowed once again, which had a noticeable impact on the hydrocarbon market, where oil prices dropped by 17% year-on-year in 2023. As a result, trade conditions for Kazakhstan were significantly worse, which caused an export deficit. The pace of the country's accelerated economic growth was constrained somewhat by internal problems with the economy, including an energy crisis (rising prices for fuel and lubricants and disruptions in the country's energy system) and a poor harvest.

In 2023, substantial transfers from the National Fund played a decisive role in boosting fixed investment, which increased by 13.7% year-on-year overall. Economic growth was also driven by a rise in fixed investment to US$39.5 billion in dollar terms, the second highest in the country's history, after the previous record of US$39.9 billion in 2013. Also noteworthy were the contributors to the investment boom in Kazakhstan last year. Whereas in the past the oil sector largely dictated investment activity, in 2023, investments in public utilities and transport infrastructure became the main drivers, with budgetary allocations also playing a major role.

Economic growth in Kazakhstan and oil prices



Source: Bureau of National Statistics, Bloomberg

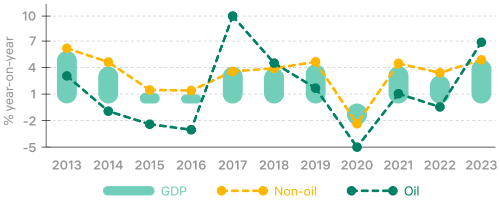
In 2023, foreign direct investment slumped, partly due to higher borrowing costs on capital markets. Factoring in the amount of reinvested profit, Kazakhstan once again experienced a negative net capital inflow, a trend seen consistently since 2018.

For several years, the state's pricing policy has been based on keeping tariffs low, despite them not covering the costs of state monopolies, which has led to a deterioration in infrastructure. As a result, the state has had to quickly mobilise resources for major infrastructure modernisation. This, in turn, will support related investments in the coming years while tariffs are raised to levels closer to actual market ones. However, demand for bank loans remains insufficient. In 2023, the share of loans in investments declined from 3.2% to 2.5%.

Despite collapsing in August, the tenge strengthened in 2023, for the first time since 2017, amid a greater supply of currency from the National Fund. The national currency's appreciation by the year-end was also helped by the ruble strengthening against the US dollar. However, the exchange rates of the US dollar against the ruble and tenge nevertheless moved in different proportions, which bolstered the tenge's position against the Russian currency. The tenge appreciation also had a positive effect on inflation, which fell to single digits. Together, these factors, along with the budgetary funds pumped into the economy, fuelled domestic demand and stimulated corporate investment and household consumption.

While revenues from oil sales declined in 2023, the oil sector contributed substantially to Kazakhstan's overall economic growth amid an increase in hydrocarbon production. We estimate that the oil sector's contribution to GDP growth was around 0.5 percentage points. However, national oil production has been steadily declining since 2019, which has noticeably reduced the total output. In these conditions, the non-oil sectors have been saved by continuous injections from the National Fund, which have averaged more than US$10 billion a year since 2020.

GDP by component



Source: Bureau of National Statistics

Kazakhstan set a new demographic record in 2023, as its population passed the landmark of 20 million people at the year-end. On average, the figure is rising by one million each year. Population growth naturally contributes to greater economic activity, as it increases the labour supply and domestic demand. After declining in the 1990s, the country's population stabilised only in the early 2000s, before gradually beginning to increase and reaching pre-crisis levels around 2010.

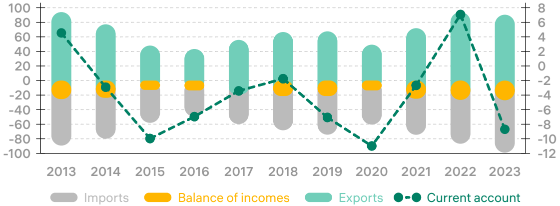
Amid stable external demand and the overall recovery of the Kazakh economy, industrial output increased by 4.3% year-on-year in 2023, compared with 1.1% in 2022. The main drivers were the mining sector (+4.6% year-on-year) and the manufacturing industry (+4.1%).

The National Bank of Kazakhstan reports that the current account balance had a deficit of US$8.7 billion in 2023, the highest since 2020. The main factor impacting the current account was a significant increase in imports of goods and services, which have been rising for three years in a row. Given the drop in oil prices of almost 20%, along with an increase in oil production of almost 7%, exports declined by 3.6% year-on-year in 2023. As a result, the foreign trade surplus plummeted by almost 50% to less than US$19 billion.

The negative current account balance is almost US$9 billion and amounts to -3.3% of GDP in relative terms.

The rise in imports was driven by the unbridled increase in government spending, as well as the strengthening tenge, which benefited from the flow of foreign currency from the National Fund. Double-digit growth was also seen in consumer lending, which the population taps to compensate for falling incomes amid high inflation and which also increases demand for imported products.

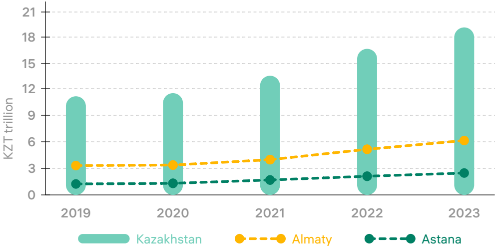
Current account surplus/deficit, US$ billion



Source: National Bank of Kazakhstan

Consumption trends are largely moving with those of retail trade: retail sales amounted to KZT19.2 trillion in 2023, up 14% compared with 2022. In real terms, trade turnover rose by 7.7% year-on-year, which significantly outpaced GDP growth for 2023. This was entirely due to greater turnover of non-food products.

Retail trade



Source: Bureau of National Statistics

Despite dropping slightly in the year, tax revenues increased by 27% overall in 2023, which was lower than the record in 2022, but significantly higher than in the previous five years. Compared with GDP, tax revenues in real terms have also been notable for higher growth in the post-COVID period. However, a disparity was seen last year, as GDP growth did not fully result in greater tax revenues, although real growth remained at double-digit levels. Structurally, the non-oil sector accounted for the bulk of GDP growth last year, while the oil sector suffered amid lower hydrocarbon prices, although this was offset by tenge appreciation. Agricultural output also decreased because of poor harvests. As such, the shortfall in taxes was due to the oil component.

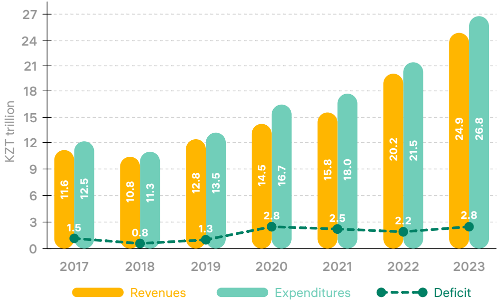
Transfers from the National Fund to the state budget equalled KZT4 trillion, down KZT0.6 trillion compared with 2022. However, additional withdrawals from the National Fund amounted to KZT1.3 trillion, which were essentially the same as transfers, meaning that total transfers amounted to KZT5.3 trillion.

The share of transfers in overall government revenues has been declining since 2020, reflecting the significant growth in tax revenues. By the end of 2023, it had dropped to 16%, a new record low, except for the very first year of transfers in 2007, when they amounted to just 9% of budget revenues.

In 2023, state budget expenditures increased to KZT26.8 trillion, up more than KZT5 trillion (+24.3% year-on-year).

Despite the relatively modest growth in spending on education, healthcare and social security, the social sector continued to account for more than half of all budget expenditures.

State budget indicators



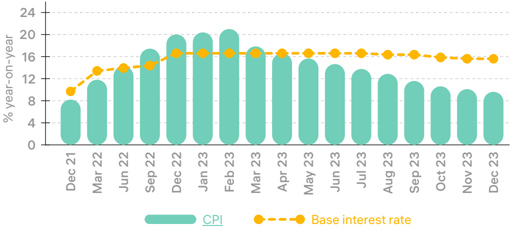
Source: Ministry of Finance of Kazakhstan

The state budget deficit once again surged in 2023, rising by almost 30% to a three-year high of KZT2.8 trillion. This stemmed partly from the rapid increase in expenditures, while revenues came under pressure.

In 2023, inflation amounted to 9.8%, marking the first single-digit figure since February 2022. Inflation continued to gradually stabilise in the year, due to both favourable external factors and domestic state policy. First, the tenge appreciated several times in 2023 and amounted to KZT456.31/US$1 by the year-end, which is even lower than the annual rate for 2022. Second, the monetary regulator adhered to a very tight monetary policy throughout the year, starting an easing cycle only in the second half and reducing the base interest rate very conservatively – by one percentage point by the year-end. Third, as noted, inflationary pressure declined around the world, largely due to lower energy and food prices and austere measures taken by central banks.

At the same time, inflation could have been even lower if not for the fiscal stimulus measures taken by the government, which funded the country's ever-growing expenses from the National Fund throughout 2023.

Inflation and the base interest rate



Source: Bureau of National Statistics and National Bank of Kazakhstan

National Bank monetary policy

In the second half of 2023, the National Bank of Kazakhstan began to gradually soften its monetary policy, reducing the base interest rate from 16.75% to 15.75% by the year-end. At the same time, consumer inflation slowed significantly, from 20.3% year-on-year in December 2022 to 9.8% in December 2023.

All components of aggregate demand demonstrated double-digit growth rates, including retail trade, loans for household consumer purposes, fixed investment and state budget expenditures, which created upward inflationary pressure on the economy last year.

Overall, inflation in the country is gradually stabilising as the economy adapts to external shocks and inflation normalises worldwide. The tenge appreciation also played an important role in this process, as the exchange rate began to strengthen for the first time since 2017 and amounted to KZT456.31/US$1 on average for the year (compared with KZT460.5 in 2022).

Banking sector of Kazakhstan

In 2023, the loan portfolio of second-tier banks increased to KZT27.9 trillion, up 22.4% year-on-year, a growth rate slightly lower than in 2022 (+23.3% year-on-year). This was mainly due to expansion in the retail loan portfolio, which increased by 28.9% year-on-year in 2023 (+31.8% in 2022) and amounted to KZT18.2 trillion, almost twice that of the corporate loan portfolio (KZT9.7 trillion). The corporate loan portfolio grew by 11.9% year-on-year in 2023 (+11.5% in 2022). The share of the corporate portfolio in the overall loan portfolio of commercial banks decreased to 34.7% (37.9% in 2022). Growth in the loan portfolio was mainly due to a 23.0% year-on-year increase in loans denominated in local currency (+26.4% in 2022), while lending in foreign currency rose by 16.3% year-on-year (-3.1% in 2022). The share of loans denominated in local currency remains several times higher than that of foreign currency: 92.3% and 7.7%, respectively (compared with 91.9% and 8.1% in 2022).

Consumer lending continues to dominate in the retail loan portfolio both in terms of growth rates and volume: in 2023, the consumer loan portfolio grew by 34.1% year-on-year (+25.2% in 2022) and amounted to KZT10.3 trillion (KZT7.7 trillion in 2022). The share of consumer loans in the overall loan portfolio of second-tier banks increased over the year and amounted to 37.0% at the end of 2023 (33.7% in 2022). Lending for the construction and purchase of housing by the population increased by 17.8% year-on-year in 2023 to KZT5.5 trillion (KZT4.7 trillion in 2022). As a result, over the year, the share of such lending decreased slightly to 19.9%, from 20.6% in 2022.

The share of loans overdue for more than 90 days (NPL90+) declined from 3.4% in 2022 to 2.9% in 2023. In nominal terms, the NPL90+ figure was up 6% year-on-year, from KZT814.6 billion in 2022 to KZT863.8 billion in 2023.

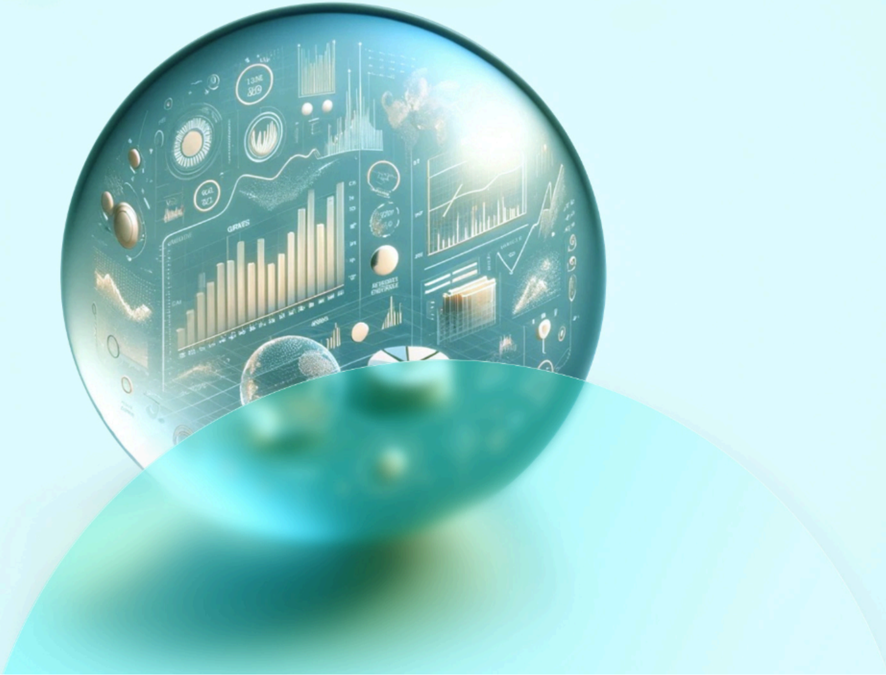
In 2023, the deposit portfolio of banks increased by 12.0% year-on-year (+14.2% in 2022) to KZT34.7 trillion (KZT30.9 trillion in 2022). The rise was mainly driven by a 20.4% increase in retail deposits (+18.0% in 2022) to KZT18.8 trillion (KZT15.6 trillion in 2022), while corporate deposits grew by 3.5% year-on-year KZT15.8 trillion (KZT15.3 trillion in 2022). Broken down by currency, tenge deposits increased by 25.8% year-on-year to KZT21.2 trillion, while foreign currency deposits dropped by 17.7% year-on-year to KZT8.1 trillion (KZT9.8 trillion in 2022). In 2023, dollarisation in Kazakhstan decreased to 23.2% (31.6% in 2022), its lowest since 1997.

As of the year-end, total liquidity withdrawn by the National Bank of Kazakhstan was up 18.3% year-on-year at KZT4.4 trillion. The main instrument that it used to withdraw funds was the deposit auction, at which total transactions increased by 157.2% year-on-year to KZT2.5 trillion. Withdrawals through deposits grew by 17.1% year-on-year to KZT1.0 trillion, while withdrawals through short-term notes dropped by 46.3% to KZT1.2 trillion . Overall, at the year-end, the volume of sterilised liquidity was 11.6% of the money supply (10.9% in 2022) and 14.9% of the gross loans (15.5% in 2022) of second-tier banks.

In 2023, commercial banks generated total profits of KZT2.2 trillion, up 49.0% from 2022. Net interest income in the banking sector grew by 31.2% year-on-year to KZT2.7 trillion, while net fee and commission income amounted to KZT727 billion (+20.5%). Provision recovery income increased by 25.9% year-on-year to KZT1.6 trillion. The return on assets of banks rose from 3.6% in 2022 to 4.6% in 2023, while the capital of second-tier banks increased by 31.3% year-on-year to KZT6.9 trillion (+15.3% in 2022).

11

Financial Review



FINANCIAL REVIEW

Net profit attributable to common shareholders rose to KZT693.4 billion in 2023, up 21.8% compared with KZT569.5 billion in 2022. This was due mainly to a significant increase in the lending and transactional businesses, despite a one-off negative impact from the accelerated amortisation of a discount (net of tax effect) in the amount) of KZT24.8 billion on a deposit of the Kazakhstan Sustainability Fund (KSF), which the Bank partly prepaid in December 2023 (a partial prepayment of state support received by Kazkommertsbank as a deposit from the KSF in 2015).

Interest income climbed by 33.8% year-on-year, due mainly to an increase in the average rate and balances of loans to customers.

The *interest expense* rose by 48.6% compared with 2022. This was driven mainly by a higher average rate on amounts due to customers and share of tenge amounts due to customers, as well as a one-off negative impact from the abovementioned accelerated amortisation of a discount of KZT24.8 billion on the KSF deposit. Consequently, net interest income climbed by 21.1% year-on-year.

In 2023, the *net interest margin* was affected by the increase in average rates on both loans to customers and amounts due to customers following a rise in market interest rates. Furthermore, the share of loans to customers in total interest-earning assets soared. Meanwhile, there was an increase in the average rate of FX amounts due from credit institutions and FX interest-earning cash and cash equivalents following a global rise in US dollar interest rates. As a result, the net interest margin climbed to 6.2% in 2023, compared with 5.6% in 2022.

Moreover, the net interest margin in 2023 and the fourth quarter was negatively impacted by the abovementioned accelerated amortisation of the discount of KZT24.8 billion on the KSF deposit. Excluding this effect, the net interest margin would have amounted to 6.5% in 2023 and 7.0% for the fourth quarter.

In 2023, the overall year-on-year dynamics of the *fee and commission income and expense* was driven by growth in the number of clients and in clients' transactional activity. Net fee and commission income increased by 19.5% year-on-year, due to a rise in net transactional income of both legal entities and individuals*, as well as in fees on letters of credit and guarantees issued.

Net fee and commission income for the fourth quarter decreased by 20.3% compared with the same period of 2022. This was due to higher expenses on loyalty programme bonuses and deposit insurance fees payable to the Kazakhstan Deposit Insurance Fund.

In 2023, *other non-interest income*(4) decreased by 17.3% year-on-year. This was due mainly to a lower net foreign-exchange gain amid higher volatility of exchange rates and interest rates in 2022.

Net insurance income(5) surged by 89.2% compared with 2022, due to growth in the life and general insurance business.

Operating expenses increased by 14.5% year-on-year. This was due mainly to the indexation of salaries and other employee benefits from 1 March 2023, as well a rise in IT investments and expenses for development of the card business. As part of operating expenses for 2023, the cost of audit services amounted to KZT506.2 million (in 2022 – KZT467.5 million).

In 2023, the *cost of risk* on loans to customers remained at normalized level and within the scope of our full-year guidance, at 1.0%.

The *cost-to-income ratio* equalled 19.2%, compared with 19.0% in 2022, the slight difference being due to higher operating expenses.

As at the end of 2023, *total assets* were up 7.6% year-to-date, driven by an increase in amounts due to customers and debt securities issued.

Compared with the end of 2022, *loans to customers* were up 18.0% on a gross and 18.2% on a net basis. The growth in the gross loan portfolio was attributable to a rise of 13.4% in corporate, 25.1% in SME and 22.7% in retail loans.

Despite some increase in absolute terms, *Stage 3* loans had decreased to 7.5% by the year-end, due to loan portfolio growth.

Compared with the end of the third quarter, *deposits of legal entities* and *deposits of individuals* were up 11.2% and 9.3%, respectively, driven by client fund inflows.

As at the year-end, the share of tenge deposits in total corporate deposits was 72.9%, compared with 60.6% at the end of 2022, while the share in total retail deposits was 63.4%, compared with 52.6% a year earlier.

* Transactional income of individuals, less transactional expenses of individuals and loyalty programme bonuses

** Other non-interest income (net gain/(loss) on financial assets and liabilities at fair value through profit or loss, net realised loss from financial assets at fair value through other comprehensive income, net foreign-exchange gain, share in profit of associate, income on non-banking activities, other expenses, loss from impairment of assets held for sales, loss on disposal of subsidiaries)

*** Insurance revenues less insurance service expenses and net reinsurance expenses

As at the end of 2023, *debt securities issued* were up 41.2% year-to-date, due mainly to the issuance of bonds on the Astana International Exchange (AIX) with a coupon rate of 3.5% in May and July 2023.

As at 15 March 2024, the Bank's debt securities portfolio was as follows.

Description of security	Nominal amount outstanding	Interest rate	Maturity date
Local bonds	KZT100 billion	7.5% p.a.	November 2024
Local bonds	KZT131.7 billion	7.5% p.a.	February 2025
Subordinated coupon bonds	KZT101.1 billion	9.5% p.a.	October 2025
Local bonds listed on AIX	US$185.5 million	3.5% p.a.	May 2025
Local bonds listed on AIX	US$299.9 million	3.5% p.a.	May 2025
Local bonds listed on AIX	US$229.5 million	3.5% p.a.	July 2025

In 2023, the Bank's total equity increased by KZT464.7 billion, up 23.1% year-on-year, due mainly to net profit generated in the reporting period.

The Bank's capital adequacy ratios were as follows*.

	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
Capital adequacy ratios, unconsolidated					
Halyk Bank					
k1-1	19.6%	18.6%	18.1%	20.2%	19.3%
k1-2	19.6%	18.6%	18.1%	20.2%	19.3%
k2	19.9%	19.0%	18.4%	20.6%	19.7%
Capital adequacy ratios, consolidated					
CET 1	19.3%	18.2%	17.9%	20.2%	19.2%
Tier 1 capital	19.3%	18.2%	17.9%	20.2%	19.2%
Total capital	19.6%	18.5%	18.3%	20.5%	19.5%

* The minimum regulatory capital adequacy requirements are 9.5%, for k1, 10.5% for k1-2 and 12% for k2, including a conservation buffer of 3% and systemic buffer of 1% for each.

Business Review

Halyk

BUSINESS REVIEW

Halyk Bank's core business focuses on retail, corporate and SME banking. Through subsidiaries, the Bank also provides insurance, cash collection, asset management, brokerage, telecommunication and leasing services.

Retail banking

In 2023, the retail business once again delivered solid results. The retail team continued to actively work on digitalisation, developing new products and building financial and consumer ecosystem services. The Bank's digital strategy has received positive feedback from the consumer market. Despite intense competition from second-tier banks, there was strong demand throughout the year for the Bank's retail products. The Bank incorporated feedback from its customers, relentlessly improving the quality of its services. The Bank's ratings continue to improve and are still among the best on the market. Customer trust has always been and remains one of the main criteria that the Bank uses to measure its success. Halyk Group values this trust and makes every effort to not only maintain it, but also enhance it. Another area of focus is on processes related to system security, an important consideration in the current environment for customers choosing to begin or continue working with the Bank.

Halyk Bank maintained its leading position in deposits, with a market share of 27.4%. At the year-end, its deposit portfolio amounted to KZT5.8 trillion. Opening deposits online remains a popular service among the Bank's customers and accounted for 78% of new deposits in 2023.

In Halyk Bank's card business, the positive trend continued. As of 1 January 2024, the Bank had 7 million active payment cards issued and remained a leader in this area, with a market share of 20%.

To expand the payment card service, the Bank continued to equip branches with self-embossers, which allow customers to receive payment cards with the assistance of a manager. In 2023, 52 additional self-embossers were installed in the branch network. The Bank plans to deploy more of them in 2024.

In November 2023, the Bank joined the National Payment Corporation of the National Bank of Kazakhstan in the Digital Tenge pilot project, part of the Programme for the Development of the National Payment System in Kazakhstan. During the pilot period, the Bank made such transactions available as cash withdrawals from cashpoints, payments through the POS terminal of the Bank and other second-tier banks, and online payments at retail and service outlets. The pilot project aims to further develop and modernise the National Payment System, in which the Bank plans to continue playing an active role.

The Bank has around 33,200 payroll card programmes, a key strategic service used to pay salaries on its cards to 2.9 million people, or 42% of the country's working population.

To foster and improve study skills, as well as offer social support for children of the Bank's customers, in September 2023, it launched a new service called Kundelik. This electronic diary for schoolchildren in years 5-11 allows them to earn bonus points in the Halyk app for excellent marks (10 points is equal to 100 bonus points). The bonus points are awarded in a journal at http://kundelik.kz/ on the subsequent working day after a student receives an excellent mark. Since the start of the school year, the project has opened more than 580,000 Halyk Easy cards, digital children's cards issued through the parent's mobile app. At the year-end, the share of digital cards in the portfolio was 93%. This project encompasses 5,650 schools, or 73% of the schools in the country.

For the convenience of customers, the Bank was first to market with its launch of Face Pay, an innovative service that allows people to use their facial biometrics to pay for public transport such as the underground. Face Pay is a convenient, safe and fast way to pay for travel, which does not require a card or smartphone. Harnessing artificial intelligence, the payment process though Face Pay terminals takes only a few seconds, which is crucial for customers taking the underground during rush hour. In December, the Bank launched a pilot project for its customers at two underground stations in Almaty: Abay and Bauyrjan Momyshuly.

As of the end of 2023, around 2.5 million pensioners and beneficiaries continued to trust the Bank and use all its services.

Lending remains the most actively growing business and a driver for the retail unit. As of 1 January 2024, the Bank's retail portfolio amounted to KZT3 trillion, representing a market share of 17.9%. In 2023, the portfolio expanded by 19%. Online loans accounted for 84% of those issued in the year.

A new project launched in September 2023 – digital car loans through partner dealerships – proved to be the breakthrough of the year. The project was implemented in partnership with the country's leading car dealers, which are also corporate clients of the Bank. This initiative demonstrates the strong synergy between the Bank's retail and corporate businesses, driving a 150% year-on-year increase in auto loans provided by the Bank. The process is simple: an application for a car loan is submitted through a car dealership, the bank loan and collateral agreements are signed using a mobile app, and the loan is issued online without needing to speak with a Bank manager or credit administrator, which makes customers happy. In December, the Bank saw excellent results in terms of the number of loans issued and had a 24.4% market share of overall car loans in Kazakhstan.

The Bank recently created an advanced analytics team to conduct in-depth data analysis, assess the probability of events and possible risks, predict trends, plan appropriately and take informed decisions. In solving advanced analytics problems, the Bank relies on the experience of a team of business analysts and data scientists, employing the most appropriate analytical methods, technologies and software for each task.

The team specialises in collecting, processing and interpreting large amounts of data-driven insights based on customers' use of products and services. It applies this information to create machine learning models and launch marketing campaigns, which ultimately helps to provide the best offers and customer service. The models segment the customer base, which helps to better understand their needs, behaviour and market, as well as optimise the pricing of products and services.

In advanced analytics, statistical methods and machine learning and artificial intelligence algorithms are applied to identify patterns and trends in data. Data visualisation creates interactive dashboards that help business units to better understand and use the findings.

GovTech: the digitalisation of public services

GovTech continues to be a strategic focus for the Bank. Its main objectives are to make public services part of the Bank's applications, integrate public services to automate the Bank's internal business processes and liaise with government agencies regarding digitalisation issues.

Since the creation of GovTech, the Bank has launched 52 public services. It continues to lead this sector among second-tier banks that facilitate public services. The services are highly popular among the Bank's customers and had been used more than 13 million times as of the end of 2023. The most popular ones are digital documents, vehicle certification, verification of health insurance status and numerous types of enquiries/information. Some were presented at major IT forums, such as Digital Bridge and Digital Almaty, and to senior government officials, including the Kazakh president. When working with government agencies, the Bank has proven itself as a reliable, high-tech partner, and the Bank's representatives are the first ones people to turn to when planning new initiatives.

In 2024, the Bank plans to further develop this focus and launch services that are in high demand among customers.

Marketplace

Over the past two years, Halyk has launched products and services across verticals of the ecosystem that make life easier for and meet the needs of customers. The main focus remains on improving the Halyk Super App, which is the backbone of its retail offering and of which Halyk Marketplace is part. The Marketplace allows customers to buy goods from partners using Halyk Bank's most advantageous financial products. Considering the rapid pace of digitalisation, changes in consumer behaviour and preferences, and the growing needs of customers, the Bank has combined these processes to offer every customer convenience, speed, simplicity and security. Each solution integrates big data analysis and aims to develop technological platforms.

The Bank's customers actively use the Marketplace and pay for purchases from trading partners by instalment or on credit, both through points of sale and online.

In 2023, the Bank achieved its goal of making it possible for people to order goods directly from China and Turkey through cooperation with goods manufacturers in these countries. This is a unique offering on the market and has had a beneficial effect on several key metrics.

Specifically, in 2023, Halyk Market's GMV surged by 170% year-on-year. In the fourth quarter of 2023, Halyk Market's GMV jumped by a record KZT34.1 billion, an increase of 330% year-on-year. This considerable growth made possible through active marketing, increasing the product base to more than 874,000 SKUs, involving more major retailers and expanding the range of goods sold by existing partners. New banking products were also launched, such as loans with individual interest rates, which also made it possible to provide more competitive rates for Marketplace partners.

SME banking*

Halyk Bank has been and remains the leader in working with SMEs, in terms of both transactions and lending. As of 1 January 2024, the Bank serviced around 270,200 active SME clients, including over 38,600 borrowers, who were provided with more than 75,100 loans in 2023. Deposits and balances on the current accounts of SME customers increased by 19% year-on-year, which demonstrates the high level of trust that customers have in Halyk Bank.

In 2023, the Bank expanded the list of services offered on the Onlinebank mobile app for legal entities, which boosted the popularity of the app among entrepreneurs and led to an increase in the number of MAUs. The Bank also worked actively to improve the system for working with Onlinebank legal entities and modified the design of the mobile app for business customers, which resulted in a significant increase in the DAU to MAU ratio from 27.0% to 30.9%.

Meanwhile, the development of a digital offering for legal entities helped to increase payments through Onlinebank, which grew by 20.3% to KZT109.5 trillion in 2023. This figure has more than doubled over the past two years.

In 2023, the SME digital team continued to actively increase lending to legal entities registered as limited liability partnerships (LLPs). Whereas 608 LLPs were financed in 2022 following the launch of the digital loan product from April 2022, the number of such companies increased to 2,315 in 2023, bringing total lending to around KZT130 billion.

* Unless otherwise indicated, data is presented for the Bank on an unconsolidated basis only.

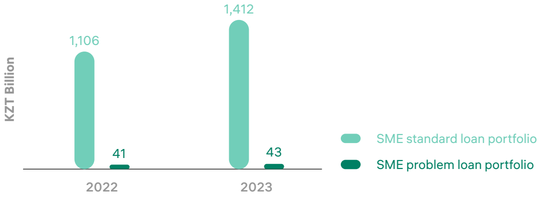
This product increased the number of LLPs receiving lending by 53.4% year-on-year. In 2023, the share of LLP borrowers that received a digital loan grew to more than 44% of the LLP borrowers in the SME segment. These results were achieved in part by improving credit conditions for customers and expanding the product range.

In terms of digital credit products for individual entrepreneurs, the Bank developed and launched a product to finance supply chain customers. It now has new digital services that help to assess the business and income of customers more accurately when making decisions on loan applications. Convenient services have also been launched that enable clients to manage their loans online.

In 2023, the following trends were seen in SME lending:

- The SME loan portfolio* grew by 25% to KZT1.6 trillion
- The Bank's SME lending rose steadily, with total loans issued to SME customers increasing by 42.1% to KZT2.1 trillion, up from KZT1.5 trillion in 2022
- Digital loans for LLPs demonstrated strong growth since their launch in April 2022: the loan portfolio has expanded by six-fold since the start of the year
- The portfolio of digital loans for individual entrepreneurs has increased by 14.4% since the beginning of the year

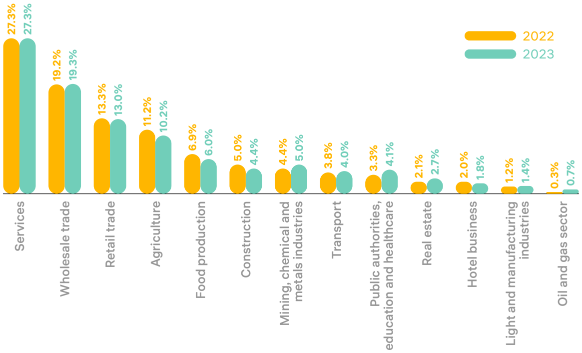
The growth trends in the SME portfolio are presented below**:



* Excluding problem loans.

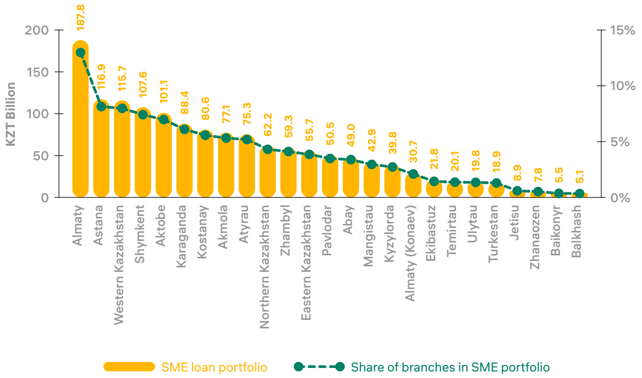
** Data for the Bank on an unconsolidated basis only.

The structure of the SME lending portfolio is similar to that of the country's economy with the wholesale, retail and service sectors making up the main share.



Due to the creation of new regions in accordance with a decree issued by the Kazakh president on 3 May 2022, the Bank opened a new regional branch in Konaev in 2023, which currently provides a full range of banking services for both SMEs and the population.

Structure of the loan portfolio by region:



Support for SMEs and involvement in state programmes

The Bank also remained actively involved in state programmes to support businesses. This support plays a crucial role in developing entrepreneurship in the country.

In 2023, the Bank was a leader in providing support to micro and small businesses, as well as entrepreneurs/entities engaged in industrial and innovative activities as part of the National Entrepreneurship Development Project for 2021-25. Based on data from the Damu Fund, during the year, 538 projects received a total of KZT5.8 billion in subsidies and guarantees as part of the support for micro and small businesses.

In terms of support for entrepreneurs/entities engaged in industrial and innovative activities as part of the National Entrepreneurship Development Project for 2021-25, the Damu Fund reported that 1,697 projects received KZT219.9 billion in subsidies, while 1,238 projects received guarantees of KZT74.98 billion.

Each year, the Bank participates in the Agrarian Credit Corporation's Ken Dala state programme, which supports the agricultural sector during the planting and harvesting seasons. Under it, in 2023, the Bank provided KZT56 billion in financing for 159 projects.

In 2023, to support green finance principles and the initiative of a UN programme being implemented in cooperation with the Damu Fund, the Bank expressed an interest in promoting projects in the energy efficiency and renewable energy sectors. The Bank is providing financial support to subsidise the principal amount, which entails repaying up to 40% of a loan after the launch and acceptance of a project (technical verification).

Throughout 2023, the Bank continued to play an active role in other programmes with the Damu Fund to support business in Kazakhstan. In particular, the Bank provides funding under the Regional SME Financing Programme; the Programme for the Support of SMEs in the Manufacturing Sector; the Nurly Zher State Programme for Housing Construction; and the 'Economy of Simple Things' Programme. In most of these, the Bank is a leader in terms of funds allocated, as well as the number and volume of financing, subsidy and guarantee agreements.

Corporate banking*

Corporate banking remains a key focus of Halyk Bank's business, as it promotes the growth and development of the country's largest companies.

The Bank is actively involved in financing various projects, including the development of social infrastructure, as well as educational and renewable energy projects. The Bank's customers are among the country's largest taxpayers and account for more than half of all budget revenues; 84% of the country's largest taxpayers are its customers.

Halyk Bank continues to offer significant advantages, such as high limits for a group of borrowers and substantial liquidity in tenge and foreign currency, which enables the Bank to take part in financing major projects, including infrastructure. It also supports the development of Kazakh companies in international markets, including successful financing for joint projects in Uzbekistan.

In 2023, the corporate loan portfolio increased by KZT595 billion, or 13.4%. Through its relatively conservative approach to risk assessment, the Bank also retains one of the most stable portfolios on the market.

Halyk Bank offers high-quality customer service, as well as a wide range of products, services and tools to meet customer needs. Despite the steady growth in the number of corporate customers served, the average number of products that each transactional customer uses remains high, at 4.59, and is even higher for corporate borrowers, at 5.89.

The main products provided to corporate customers include lending, trade finance and document operations, corporate cash settlement services, payroll card programmes and merchant acquiring solutions. The Bank also offers the full suite of Halyk Group services, including all types of insurance, brokerage, cash collection and other solutions.

One of the key components of the Bank's corporate business is the active introduction of information technologies. Businesses strive to use modern data analytics and digital technologies to improve the efficiency of their business processes. This not only reduces costs, but also improves service quality. Transaction analysis, integration with government databases and client analytics helped to introduce a digital process for setting unsecured credit limits of up to KZT1 billion and issuing bank guarantees online, and also optimised the process of analysing large projects.

The Bank has introduced an online loan issuance process that allows the agreement to be signed electronically, so paper documents are not needed. This has been well received by corporate customers, who arranged more than 95% of loans online in 2023.

Corporate lending, which accounts for the majority of the Bank's loan portfolio, continues to occupy a leading position in the business. The Bank offers customers various types of corporate lending products, including secured and unsecured loans, as well as loans to finance investments and operations, factoring and other types of lending.

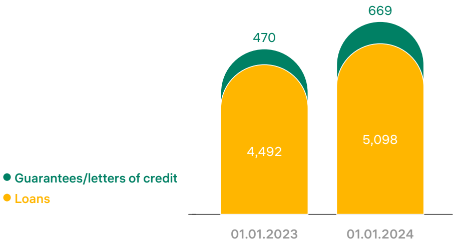
Factoring has become an essential digital product for the Bank, making it possible to quickly provide financial support to corporate customers. During the reporting period, the Bank expanded its range of factoring services, offering customers the opportunity to effectively manage their accounts receivable. The product not only helps to increase customer liquidity, but also reduces risks associated with the failure to pay bills.

Halyk Bank remains actively involved in a state programme to support large enterprises, which is being implemented through the Development Bank of Kazakhstan. Overall, the Bank has allocated KZT36.8 billion for this programme. In 2023, using resources provided by the National Fund, it financed major manufacturers in the pharmaceutical, chemical, textile and food industries, as well as producers of oil and gas equipment, construction materials, lubricants and cardboard.

For the corporate banking business, 2023 was a successful year. The Bank implemented several major projects to finance such sectors of the economy as chemicals, energy, automotive, food production and oil, among others, using its strong liquidity and capital reserves, as well as its ability to offer customers a wide range of services through an extensive regional network. These results reaffirm the sustainability of the Bank's corporate lending approaches.

* Unless otherwise indicated, data is presented for the Bank on an unconsolidated basis only.

Changes in Halyk Bank's corporate portfolio (KZT billion)*



In 2023, the corporate loan portfolio expanded by 13.4%, interest income increased by 41.6%, partly due to an increase in the interest rate, and non-interest income grew by 29.3%.

In 2024, the Bank plans to continue its policy of developing relationships with existing clients while further expanding the customer base, as well as increasing their use of Halyk Group products and services, offering a range of financial solutions and actively using the capabilities of Halyk Group. The Bank will focus primarily on expanding the loan portfolio and transaction income.

Growth drivers of the loan portfolio include:

- Greater demand for working capital financing
- ESG investments
- Digital lending
- Financing projects jointly with subsidiary banks
- Participation in syndicates

Growth drivers of non-interest income include:

- Synergies among the Bank's various customer segments
- Expansion of services offered to customers

* Data is presented for the Bank on an unconsolidated basis only.

SUBSIDIARIES

Assets of subsidiaries as of 31 December 2023

Name	Assets, KZT billion	Market share by assets, %
Halyk Bank Georgia	154.2	1.1
Halyk Finance*	54.8	9.5
Halyk Global Markets*	17.4	3.0
Halyk Insurance Company**	180.0	13.1
Halyk Life***	365.2	33
Halyk Bank Kyrgyzstan	92.1	3.0
Halyk Leasing	20.9	n/a
Halyk Collection	8.5	n/a
Kazteleport	11.1	n/a
Halyk Finservice	4.3	n/a
KUSA Halyk	82.0	n/a
Halyk Aktiv	99.5	n/a
Tenge Bank	253.3	1.0

* Market share by assets is based on organisations that manage investment portfolios.

** Unaudited reporting data; market share by assets is based on general insurance companies.

*** Unaudited reporting data; market share by assets is based on life insurance companies.

Assets and equity of subsidiaries

	Assets, KZT billion			Equity, KZT billion		
Name	2023	2022	Change, %	2023	2022	Change, %
Halyk Bank Georgia	154.2	170.5	-9.6%	40.3	27.0	33%
Halyk Finance	54.8	55.4	-1%	30.4	24.6	+24%
Halyk Global Markets	17.4	20.5	-15%	17.2	20.5	-16%
Halyk Insurance Company*	180.0	158.4	13.6%	83.1	74.5	11.5%
Halyk Life*	365.2	282.7	29%	96.9	56.4	72%
Halyk Bank Kyrgyzstan	92.1	93.6	-1.3%	19.6	18.8	4.3%
Halyk Leasing	20.9	16.5	27.5%	8.5	7.9	7.1%
Halyk Collection	8.5	5.2	63.1%	7.3	3.8	93%
Kazteleport	11.1	8.1	37.89%	8.8	5.6	56.78%
Halyk Finservice	4.3	3.9	8.16%	2.6	3.1	-16.01%
KUSA Halyk	82.0	68.9	18.9%	31.7	29.8	6.5%
Halyk Aktiv	99.5	97.4	2.19%	48.8	46.5	-4.8%
Tenge Bank	253.3	182.6	38.7%	52.6	52.5	-0.2%

* unaudited reporting data

Subsidiary banks

Halyk Group provides banking services in Kyrgyzstan*, Georgia and Uzbekistan through subsidiaries in those countries.

Halyk Bank Georgia

Halyk Bank Georgia is a commercial bank incorporated in Georgia that focuses on corporate, SME and retail banking. As of 31 December 2023, it had total assets of GEL903.3 million (KZT154.2 billion), down 8.2% from 2022. The gross loan portfolio stood at GEL723.8 million (KZT123.5 billion), up 9.6%. Total equity amounted to GEL235.8 million (KZT40.3 billion), up 51.6%. In 2023, it generated net income of GEL20.2 million (KZT3.6 billion), up 40% compared with 2022.

Fitch Ratings affirmed Halyk Bank Georgia's long-term credit rating of 'BB+' with a 'stable' outlook.

Halyk Bank Kyrgyzstan

Halyk Bank Kyrgyzstan is a commercial bank incorporated in Kyrgyzstan that offers universal banking services. As of 31 December 2023, it had total assets of KGS18.1 billion (KZT92.1 billion), up 4.2%, or KGS722 million (KZT3.7 billion), from a year earlier. Its gross loan portfolio was KGS9.7 billion (KZT49.4 billion), down 8.5% year-on-year. Its total equity was KGS3.9 billion (KZT19.6 billion), up KGS374 million. In 2023, it reported net income of KGS374 million (KZT1.9 billion).

Halyk Bank Kyrgyzstan has four branches in Bishkek and six in major regional centres.

Tenge Bank

Tenge Bank is a universal bank in Uzbekistan. As of 31 December 2023, it had assets of UZS6.9 trillion (KZT253.3 billion), up 54.8% from 2022, and total equity of UZS1.4 trillion (KZT52.6 billion), up 11.9%. Its gross loan portfolio stood at UZS4.4 trillion (KZT163.3 billion), up 76.7% from the end of 2022. In 2023, it reported net income of UZS146.5 billion (KZT5.7 billion), up 117.7% year-on-year. Tenge Bank launched operations in July 2019.

Uzbekistan is one of Kazakhstan's largest trade and economic partners and the fastest growing economy in Central Asia.

Since 2019, trade turnover between the two countries has expanded from US$3.3 billion to US$4.6 billion through bilateral agreements. Today, Kazakhstan is one of Uzbekistan's three largest trading partners.

Businesses from Kazakhstan are actively investing in joint projects with their partners in Uzbekistan. Between 2019 and 2023, the number of companies in Uzbekistan with shareholders from Kazakhstan increased from 510 to around 1,064. Meanwhile, the number of companies in Kazakhstan with shareholders from Uzbekistan increased from 1,800 to 3,300.

In recent years, significant progress has been made in developing digital technologies. Rapid growth in internet and smartphone penetration, as well as non-cash payments, indicates increasing demand for digital financial services.

Halyk established its subsidiary Tenge Bank in Uzbekistan in May 2019. At present, Tenge Bank works in nine regions that account for over 80% of the population.

In addition, Tenge Bank has become one of the three largest auto lenders in Uzbekistan by introducing an automated lending process and scoring system.

Continuous expansion on the Uzbek market is an integral part of Halyk Group's overall development strategy. To strengthen its position on the Uzbek market and further enhance cross-sale capabilities across the board, the Group started providing non-banking products to customers in Uzbekistan in 2022. In the second quarter of 2022, its life and non-life insurance subsidiaries began providing reinsurance services for Tenge Bank's insurance partners. Halyk's Kazteleport registered its subsidiary in Tashkent in the fourth quarter of 2022. It later registered the Smart Cloud brand and launched sales of cloud services in Uzbekistan. In March 2023, Halyk Finservice registered a subsidiary in Tashkent based on which it deployed the Tenge Market trading platform together with Tenge Bank.

Tenge Bank is the first financial institution with foreign capital to be established in Uzbekistan since the country launched major reforms. It has a unique market position due to several competitive advantages:

Since its inception, Tenge Bank has positioned itself as a part of a larger group that offers major companies co-financing from Halyk Bank.

Tenge Bank provides corporate customers with a full range of lending and non-lending products, including settlements between Uzbekistan and Kazakhstan in national currencies, direct purchases of Kazakh tenge and minimal commissions for payments within Halyk Group.

Tenge Bank is continuously improving its digital offering for customers by developing remote channels.

* As of the date of publication of this report, the Bank has completed the sale of 100% of shares of Halyk Bank Kyrgyzstan OJS

In 2023, Tenge Bank launched the Tenge Business mobile banking solution for legal entities. It offers a wide range of services, including processing all types of payments, opening online deposits and receiving loans within the approved limit through online applications.

Along with to its broad range of services, the Tenge 24 mobile app for individuals offers online lending and convenient online deposits, as well as unique cross-border transfers to Halyk cards, using the card number or phone number with the automatic conversion of soms into tenge. The mobile app also provides access to the Tenge Marketplace, which was launched in the first half of 2023.

The Group is committed to expanding in Uzbekistan on all fronts. In addition to developing Tenge Bank, it provides financing from Halyk Bank's own balance sheet to support trade and cross-border business expansion between the two countries.

By the end of 2023, the Group had achieved the following results in the Uzbek market:

- Uzbekistan remains a key priority outside Kazakhstan.
- The total loan exposure issued from the balance sheet of Halyk and Tenge Bank to Uzbekistan is KZT477.1 billion.
- The Group has developed its subsidiary Tenge Bank and taken a comprehensive approach to support trade and the cross-border expansion of Kazakh business in Uzbekistan.
- Over 2021-23, Halyk Group generated interest and fees and commission income from business in Uzbekistan of KZT92.5 billion
- Halyk Group is creating an important channel for payments between Kazakhstan and Uzbekistan. In 2023, transfers between Kazakhstan and Uzbekistan through it exceeded KZT1.1 trillion.

Insurance market

Halyk Insurance Company

Halyk Insurance Company is a general insurance company that provides a comprehensive range of insurance services to all types of legal entities and individuals in numerous sectors.

As of 31 December 2023, Halyk Insurance Company was one of the largest general insurance companies in Kazakhstan, ranking second in the country in terms of assets and third in terms of total equity.

At the year-end, its assets totalled KZT180 billion, giving it a market share of 13.1%. Its net income for the year was KZT14.3 billion and net premiums amounted to KZT137.4 billion, or 20.1% of the overall insurance market (unaudited market data that excludes contracts terminated).

On 10 February 2024, AM Best affirmed Halyk Insurance Company's financial strength rating of 'B++' ('Good') and long-term issuer credit rating of 'bbb'. The outlook of these credit ratings is 'stable'.

On 28 December 2022, the insurance portfolio for the compulsory accident insurance of employees when performing their work (official) duties was transferred to Halyk Life.

Halyk Life

Halyk Life, the Bank's life insurance company, offers various types of personal insurance products, including annuity, accident and medical insurance. It also has a wide range of life insurance products.

At the end of 2023, Halyk Life was the leader among life insurance companies in terms of assets, equity and insurance premiums, which respectively amounted to KZT365.2 billion (32% of total market assets), KZT96.9 billion (39% of total equity among life insurance companies) and KZT170.4 billion (33% market share in terms of gross premiums). In 2023, the company generated net income of KZT52.4 billion. In addition, Halyk Life continued actively working to improve the financial literacy of the population by holding a national competition among regional journalists for the best coverage of the life insurance market.

Brokerage and investment banking

Halyk Finance

Halyk Finance is one of Kazakhstan's leading investment banks. It provides a full range of brokerage, asset management, investment research, consulting, underwriting and pension asset management services.

As of 31 December 2023, Halyk Finance had total assets of KZT54.8 billion and equity of KZT30.3 billion. In the year, net income amounted to KZT5.9 billion.

At the year-end, Halyk Finance's gross proprietary investment portfolio was KZT52.2 billion, while its portfolio of securities for brokerage services customers had a market value of KZT1.8 trillion. Assets under management amounted to KZT640.9 billion.

In 2023, the company was once again recognised as the "Best Investment Bank in Kazakhstan" by prominent information agencies and authoritative publications, including Global Finance, Cbonds and EMEA Finance, as well as the KASE and AIX stock exchanges.

In April, Fitch Ratings affirmed Halyk Finance's long-term issuer default ratings in foreign and national currency at 'BBB-' with a 'stable' outlook.

Halyk Invest and Halyk Finance served as key brokerage platforms for SPOs and IPOs in 2023. In the third quarter of the year, KEGOC held a SPO and placed KZT9.2 billion tenge, or 40.8%, of total SPOs, using the brokerage platforms of Halyk Group. In February 2024, Air Astana held an IPO and placed US$65 million, or 30.4% of the total, through Halyk Invest and Halyk Finance.

In 2023, Halyk Finance entered the new pension asset management market and has already gained a market share of 51%, while its total assets under management increased by 63% over the year.

Halyk Global Markets

Halyk Global Markets operates based on a licence for broker and dealer activities and investment portfolio management.

As of 31 December 2023, Halyk Global Markets had total assets of KZT17.4 billion and equity of KZT17.2 billion. In the year, it generated net income of KZT2.6 billion.

At the year-end, its gross proprietary investment portfolio stood at KZT17.1 billion. Its total portfolio of securities for brokerage services customers had a market value of KZT0.8 billion. Assets under management amounted to KZT3.2 billion.

Infocommunications and internet acquiring

Kazteleport

Kazteleport is a major infocommunications and cloud services provider in Kazakhstan. It positions itself as a provider of quality infocommunications services with a high level of security. It offers comprehensive IT infrastructure solutions to medium-sized and large organisations, from renting server racks and computing resources to protection against cyber-attacks.

As of 31 December 2023, Kazteleport's assets were valued at KZT11.1 billion and its equity amounted to KZT8.8 billion, while net income in the year was KZT181.5 million.

Halyk Finservice

Halyk Finservice provides technical processing support services for processing and storing data, namely the collection, processing and storage of cardholder transactional data for the Bank and other banks that act as card transaction agents.

In March 2023, Halyk Finservice registered a subsidiary in Uzbekistan. As of 31 December 2023, Halyk Finservice had total assets of KZT4.3 billion and equity of KZT2.6 billion. In the year, Halyk Finservice generated a net loss of KZT478.3 million, due to an increase in spending on the development of Halyk Market and the launch of the new Halyk Logistics project.

Cash collection

Halyk Collection

Halyk Collection is the leader in the market of collection services for banknotes, coins and valuables. The largest collection company in the country, it is positioned in Halyk Group as a subsidiary that offers services independently while also providing cash to the Bank's sales channels. In 2023, Halyk Collection replaced 35 special vehicles as part of a plan for the phased replacement of its special vehicles in 2023-27.

As of 31 December 2023, Halyk Collection had assets of KZT8.6 billion, equity of KZT7.3 billion and charter capital of KZT1.7 billion. In the year, net income amounted to KZT2.3 billion.

Halyk Collection's branch network includes 20 branches and 34 outlets that offer collection services in regions, cities, towns and smaller settlements throughout Kazakhstan. The company uses equipment that complies with modern requirements. All of its vehicles are fully armoured and their movement is tracked via a GPS monitoring system. Halyk Collection's operations are covered by risk reinsurance on the Lloyd's insurance market with best-in-class insurance organisations that have financial stability ratings of at least 'AA-'. Halyk Collection ensures continuous operations and fully executes all requests from the Bank and its customers.

Distressed asset management organisations and other companies

The main purpose of these companies is to improve the Bank's loan portfolio by acquiring doubtful and bad assets using borrowed funds, applying quality asset management principles to rehabilitate them with minimal credit losses for Halyk Group, and then selling the assets to fully repay the companies' obligations to the Bank.

As of 31 December 2023, the total assets of Halyk Group's distressed asset management organisations amounted to KZT151.6 billion.

In 2023, KUSA Halyk sold assets valued at KZT22.8 billion and Halyk Aktiv at KZT50.2 billion.

KUSA Halyk

KUSA Halyk was created in 2013 as part of the Concept on Improving the Quality of Second-Tier Bank Assets, which was approved by a resolution of Kazakhstan's Council for Financial Stability and Development of the Financial Market.

In 2023, the Bank transferred 13 assets worth KZT19.6 billion to KUSA Halyk. At the year-end, the asset portfolio was valued at KZT61.7 billion.

In the year, income from the sale of assets and the provision of services amounted to KZT17.6 billion. Operating income from the core business of KUSA Halyk totalled KZT6.4 billion.

Halyk Aktiv

Halyk Aktiv was created in 2013 as part of the Concept on Improving the Quality of Second-Tier Bank Assets, which was approved by a resolution of Kazakhstan's Council for Financial Stability and Development of the Financial Market.

In 2023, the Bank transferred 11 assets valued at KZT20.8 billion to Halyk Aktiv. At the year-end, the asset portfolio stood at KZT89.9 billion.

In the year, income from the sale of assets and the provision of services amounted to KZT11.3 billion. Operating income from the company's core business amounted to KZT4.3 billion.

Halyk Leasing

Halyk Leasing was one of the first leasing companies in Kazakhstan. Its primary focus is acquiring and transferring special equipment under financial lease, including heavy, construction, roadmaking, industrial, oilfield, mining, extracting and agricultural equipment, as well as commercial vehicles for cargo and passenger transport and so on. The company resumed leasing operations in 2020 after they had been suspended since 2014. As of 31 December 2023, it had total assets of KZT20.9 billion and total equity of KZT8.5 billion. In the year, it reported net income of KZT565 million (including income of KZT455 million from leasing operations).

In 2023, the actual volume of leasing agreements issued totalled KZT8.4 billion. At the year-end, the gross loan portfolio totalled KZT13.4 billion (the net loan portfolio was KZT13.3 billion), while interest income amounted to KZT2.3 billion. Halyk Leasing is funded by Halyk Bank, the Damu Entrepreneurship Development Fund and the Agrarian Credit Corporation.

In 2023, Halyk Leasing received the "Star of the Industry 2022" award for its significant contribution to the country's economy, operational efficiency and strong business reputation. This underscores that the company is a reliable and socially significant enterprise in Kazakhstan's financial leasing (except medical equipment and technology) industry.

Risk Management

RISK MANAGEMENT

Halyk Group's risk management policy focuses on creating an integrated risk management system in line with the scope and scale of the Group's activity and accepted risk profile, as well as supporting its business development requirements. The Group seeks to continuously develop its risk management system and improve the way in which it identifies, manages, assesses and controls risks.

1. RISK APPETITE MANAGEMENT

Halyk Bank's risk appetite strategy defines clear boundaries for the acceptable volume of significant risks associated with the activities that the Bank undertakes while implementing Halyk Group's Development Strategy. It also defines the risk profile of the Bank's operations to prevent risks or minimise their negative impact on the Bank's financial position.

The approaches to risk appetite management are regulated by the risk appetite strategy, which has been approved by the Board of Directors.

Risk appetite covers the aggregate level of material risks that the Bank is willing to accept or intends to exclude when implementing its strategy.

The risk appetite strategy comprises general approaches to risk appetite management. This includes the policies, processes, controls and systems through which risk appetite is defined, monitored and distributed at all levels of the Bank's organisational structure.

As part of the risk appetite strategy, the Board of Directors has approved a set of quantitative risk appetite metrics for each significant risk level. These take into account the Bank's established business model, as well as the scale, types and complexity of its operations. Compliance with the risk appetite levels is monitored periodically as part of management reporting on risks.

2. CREDIT RISK MANAGEMENT

To ensure effective credit risk management, the Bank has implemented a risk management system and business processes to segregate the sales and risk management functions. It has also created an organisational structure that facilitates credit risk management, including collegiate bodies and subdivisions that take part in the credit risk assessment and management process.

The Bank manages credit risk by:

- Adhering to the 'three lines of defence' principle: namely, initial analysis of credit risk by the initiating subdivision, analysis by the risk management function, and control by the internal audit function
- Setting counterparty limits depending on the type of (credit) transactions or products
- Diversifying the loan portfolio to mitigate a concentration of risk related to any one borrower, sector or geographical region
- Monitoring the loan portfolio to identify any deterioration in quality at an early stage
- Maintaining adequate provisioning to cover potential losses

Halyk Bank has developed and approved a Risk Appetite Strategy, which defines clear boundaries for the scope of the material risks that it has accepted and with which the Bank operates as part of the implementation of Halyk Group's Development Strategy. The strategy also defines the risk profile of the Bank's operations in order to prevent risks or minimise their negative impact on its financial position. When drafting and introducing the Risk Appetite Strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk and risk), taking into account the business model it has adopted, the scale of its operations, as well as the types and complexity of its operations.

The Bank's lending decision system is based on the delegation of certain powers by the Board of Directors to appropriate collegiate bodies and the establishment of credit limits for each body. For corporate borrowers, loan applications are reviewed by the Commercial Directorate. Loan applications that exceed the limits set for the Commercial Directorate, as well as transactions with related parties, require further approval by the Board of Directors. For SME borrowers, lending powers are delegated to the SME Centre for Decision-Making and Credit Committee of the branch network. Retail banking decisions are delegated to the Centre for Decision-Making and the Retail Credit Committee (RCC) of the Head Office. Credit decisions on conventional unsecured retail applications are taken using a specialised software module, which includes automated underwriting, the verification of internal and external databases and the scoring of applicants, among other things. Unconventional unsecured applications are subject to the credit approval procedure through the Centre for Decision-Making/RCC. Decisions on conventional unsecured/secured loan applications submitted by individual entrepreneurs and SME legal entities for the replenishment of their working capital and business development are taken as part of the digital credit decision-making process using risk models that assess the applicant's creditworthiness and solvency, interest rate and lending limit based on internal and external data. Digital credit products (DCP) are reviewed and issued online for SME clients.

Credit committees of subsidiary banks are also authorised to take lending decisions within specific limits. The Bank regularly monitors and, if necessary or if covenant thresholds are exceeded, revises independent decision-making limits and the authority matrices of the credit committees at subsidiary banks.

In addition to the Centre for Decision-Making and the RCC of the Head Office, an automated lending decision approach is in place for retail borrowers. The automated decisions follow a risk-based approach that includes risk-based pricing and the use of additional parameters when assessing the solvency of customers. Following the application review, loan offers are formed according to the requested terms, as well as by offering alternative solutions for all retail segments (including customers who do and do not participate in salary projects, pensioners, etc.). This approach takes into account the borrower's risk profile and helps to minimise risks when taking decisions.

New SME business loan self-financing limits have been established for the SME Centre for Decision-Making, Credit Committee of the branch network, digital credit products of corporate and SME clients, as well as retail limits for the DMC and RCC of the Head Office. In addition, the SME and retail lending processes have been optimised.

To assess the Bank's exposure to the risk of negative macroeconomic changes on foreign and domestic markets, as well as to determine the impact of the materialisation of stress scenarios (provision levels, credit rating migration and the share of non-performing loans), the Bank periodically conducts stress-testing of the loan portfolio. In 2023, the Bank conducted regular stress-testing using relatively conservative forecasts amid threats of a decline in global economies, rising inflation, lower oil prices and GDP levels, as well as geopolitical risks. The tests confirmed the resilience of the Bank's capital to a decrease in asset quality.

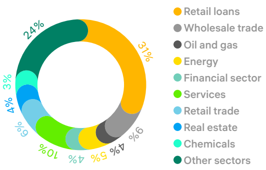
The existing Risk Rate rating model that the Bank uses to assess the likelihood of a default and the associated rating on corporate and SME clients is widely used to determine loan collateral criteria, as well as to conduct stress-testing on significant individual loans, and to optimise analysis and decision-making for the Bank's highly creditworthy clients. To keep the rating model up to date, as well as to improve the performance of the Bank's model, it is regularly validated. The model underwent validation in 2023, and the outcome was successful.

Throughout 2023, work with problem loans continued, securing repayment through the sale of collateral, claims and lawsuits, transferring assets to doubtful asset management organisations and writing off bad debt. These measures have helped to reduce the share of overdue debt.

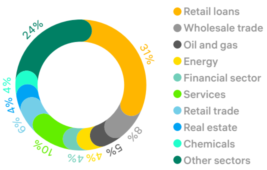
As of 31 December 2023, retail loans represented a significant share of Halyk Group's loan portfolio (31.8%); consumer and mortgage loans accounted for 27.8% and 4%, respectively. Broken down by industry, the largest segments were services (9.6%), wholesale trade (8.5%), retail trade (6.5%), energy (4.9%) and the financial sector (3.8%).

Breakdown of Halyk Group's loan portfolio by sector, %

31 December 2023



31 December 2022



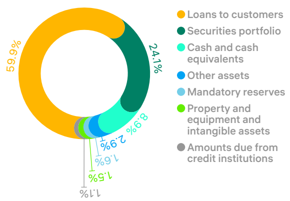
3. ASSET/LIABILITY MANAGEMENT

To create an optimal structure of assets that ensures a balanced approach to managing the risk-return ratio, the Group invests in a spread of domestic and overseas assets, diversified in terms of banking products, industry, currency and maturity.

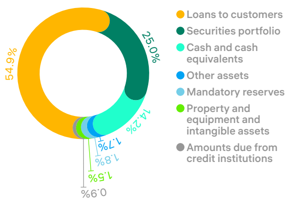
The breakdown of the Group's assets in 2023 was as follows:

Breakdown of Halyk Group's assets, %*

31 December 2023



31 December 2022



In 2023, Halyk Group's assets increased by 7.6% year-on-year. This was driven mainly by a rise in the loan portfolio on a net basis by KZT1,427 billion (up 18.2% year-on-year) and in the securities portfolio by KZT205.8 billion (up 10.7% year-on-year). The loan portfolio remains the largest item among Halyk Group's assets: as of 31 December 2023, it accounted for 59.9% of the total. Other key assets included investments in securities (trading and investment portfolio; share of 13.7%), as well as cash and cash equivalents (share of 10.5%).

* Cash and cash equivalents include precious metals and other items. The securities portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and debt securities at amortised cost, net of allowance for expected credit losses, less derivative financial instruments. Property, plant and equipment and intangible assets include, but are not limited to, goodwill, commercial and investment properties.

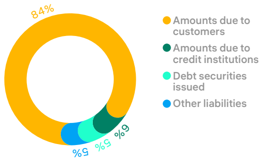
The Group regularly checks the current positions of its existing limits for counterparty banks. Whenever it identifies any negative factors affecting their operations and/or their countries of operation, it makes immediate relevant adjustments to reduce the amount and term of such limits.

For liquidity management purposes, the Bank maintains a stable and diversified structure of liabilities, which consists of borrowings and deposits with fixed maturities and liabilities payable on demand.

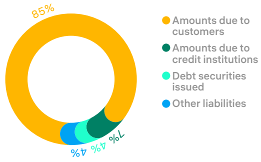
The breakdown of the Group's liabilities in 2022 and 2023 was as follows:

Breakdown of the Group's liabilities, %

31 December 2023



31 December 2022

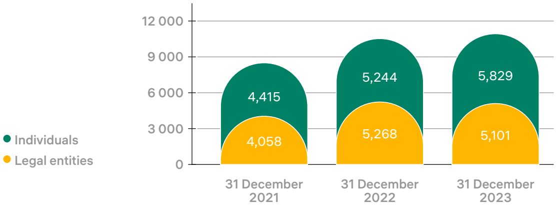


The primary change in the liability structure in 2023 was in amounts due to customers. As of the year-end, amounts due to customers rose by KZT417.5 billion (up 4.0%) in absolute terms. They continued to account for the largest proportion of liabilities, at 70.4% in 2023, compared with 73% in 2022.

The proportions of term deposits and current accounts in amounts due to customers did not change materially, at 74.5% and 25.5%, respectively, compared with 69.0% and 31.0% as of 1 January 2023.

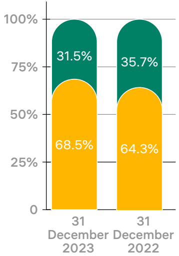
In 2023, the amount of funds attracted from individuals increased by 11.2%, while that from legal entities decreased by 3.2%. Corporate clients tended to place their spare funds in government securities, as well as in foreign banks that have high rates on foreign currencies.

Amounts due to the Group's customers, KZT billion

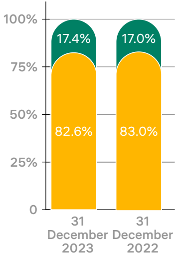


The Bank's focus on raising funds in the domestic market helped to maintain leading positions in the customer account market. As of 1 January 2024, despite a slight decrease in the share of funds raised from customers, Halyk Bank was the market leader, with a share of retail deposits of 27.4% (compared with 30.4% at the end of 2022) and of corporate deposits of 36.5% (compared with 35.5% at the end of 2022).

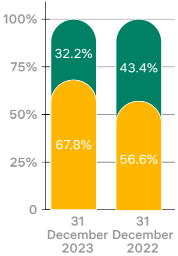
Breakdown of the Group's financial assets by currency, %



Breakdown of the Group's net loans by currency, %



Breakdown of amounts due to the Group's customers by currency, %



Foreign currencies Tenge

4. MARKET RISK MANAGEMENT

In 2023, the Bank adhered to its conservative policy on currency position management, maintaining neutral positions in all currencies.

The share of the Group's assets in tenge increased from 64.3% in 2022 to 68.5% in 2023, while the share of the loan portfolio in tenge decreased from 83.0% to 82.6%.

The share of deposits in tenge increased to 67.8%, compared with 56.6% in 2022.

The Group has identified the following sources of interest rate risk: on securities portfolios and resulting from the mismatch of maturities (interest rate repricing) of assets and liabilities sensitive to interest rate changes (risk of interest rate changes). The Group manages the risks of changes in interest rates and market risk by adjusting its interest rate position and maintaining a positive interest margin.

Internal limits that restrict the level of market risk (currency, interest rate and price risks) are established by the authorised bodies within the risk appetite and are monitored daily. The limits are regularly reviewed for relevance and correlation with market conditions and the Bank's risk appetite.

In 2023, the rapid decline in annual inflation created space for the National Bank of Kazakhstan to reduce the base interest rate from 16.75% to 15.75%.

The Bank's interest rate risk remained at an acceptable level within the established risk appetite limits.

5. OPERATIONAL RISK MANAGEMENT

In the normal course of its business, the Bank is exposed to operational risk. This is defined as the risk of losses resulting from inadequate and insufficient internal processes or systems, human factors or the influence of external events, excluding strategic and reputational risk.

The operational risk management unit within the risk management function of the Bank has developed and uses various operational risk management tools, such as:

- The Bank performs operational risk assessments when launching new products/services, systems and business processes (taking into account the processes used to control the testing and monitor the functioning of the product/service), or implementing changes thereto. The Organisation and Reinforcement of Preventive Action (ORAP) system is a fully functional and widely used tool. It has covered the most significant areas of the Bank's operations since 2010.
- The Bank regularly collects and analyses information about operational risk events, which are registered and classified (per Basel classification) as appropriate in a special database. The information collected is used to generate regulatory and management reports on operational risks to support decisions about corrective actions to minimise overall operating losses.
- The Bank continues to develop an operational risk management tool, Key Risk Indicators (KRI). The Bank currently uses the KRI system in various business lines, which helps to identify the most significant risks to the Bank's IT systems and critical business processes.
- The Bank also continues to develop other operational risk management tools, such as scenario analysis and risk self-assessments.

6. BUSINESS CONTINUITY MANAGEMENT

To ensure that it can respond to emergency situations rapidly and effectively, the Bank maintains systems and resources to manage and support business continuity. These include legal documents, infrastructure, competent employees and other items.

The Bank has introduced a new hybrid work arrangement under which key employees work remotely on a rotational basis.

The Bank has approved a detailed notification system for members of the Operational Response Headquarters, members of the Crisis Management Centre and the heads of departments of key employees in the event of an incident in the process of business continuity.

In 2023, to increase the awareness, distance learning was arranged for employees of the Head Office and regional branches, followed by testing on the business continuity management process at Halyk Bank.

7. IT AND INFORMATION SECURITY RISK MANAGEMENT

In 2023, the Bank continued its efforts to manage information technology (IT) and information security (IS) risks and further developed its IT and IS risk management system. During the year, the Bank conducted a cycle of IT and IS risk management activities. This included setting up a working group to update critical information assets; assessing, processing and monitoring risks; and reviewing the existing IT and IS risk management systems of the Bank's subsidiaries. It then developed action plans to minimise the IT and IS risks identified. In addition, together with the departments involved, work is ongoing to analyse and minimise the risks of fraud incidents associated with IT and IS risks.

8. CAPITAL MANAGEMENT

In 2023, the Bank continued to manage its capital to ensure the business continuity of all Group companies and optimise its debt-to-equity ratio. In the reporting period, the Bank ensured compliance with the capital requirements set by regulatory standards and the Basel Accords.

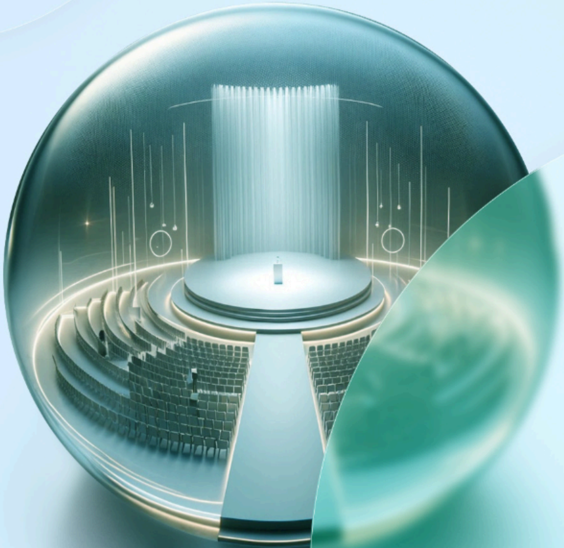
Since 1 January 2016, the Group has calculated its capital adequacy ratios in accordance with the prudential standards prescribed for banks by Kazakhstan's regulatory authorities, in consideration of the Basel Committee's recommendations. In general, the National Bank of Kazakhstan's methodology for calculating regulatory capital levels and its components comply with the Basel III standards. At the same time, the methodology applies separate regulatory adjustments that are not provided for by the Basel III standards but are allowed under the Basel III recommendations concerning the application of additional methodological amendments by local regulatory bodies.

As part of its capital adequacy risk management efforts, the Bank also has an internal process in place for assessing capital adequacy. This approach to managing significant risks takes into account the volume of assets, the nature and complexity of operations, and the organisational structure, strategic plans, risk profile, regulatory and legal framework. Such risks are assessed and aggregated to determine a target capital adequacy level for the Bank to maintain a stable financial position and remain solvent.

In an effort to improve the risk management system, during the reporting year, the Bank developed and introduced an internal methodology and calculation of internal (economic) capital for major types of risks inherent in the Bank's activities (credit, market and operational risks).

9. COMPLIANCE RISKS

For information about the system in place for monitoring the Bank's compliance with international and country-specific economic sanctions, see the Corporate Governance section.



Corporate Governance

Halyk

CORPORATE GOVERNANCE

Halyk Bank's corporate governance structure is based on respecting the rights and interests of all stakeholders. This contributes to the Bank's success by increasing its value, supporting its financial stability and profitability, and reassuring investors and shareholders that their money is being used efficiently.

The Bank's current Corporate Governance Code defines the main standards and principles applied in managing the Bank, including relations between the Board of Directors and Management Board, and between shareholders and employees, as well as the functioning mechanisms and decision-making procedures of the Bank's internal bodies.

The Bank's Corporate Governance Code enshrines the following principles:

- Provide shareholders with a real opportunity to exercise their rights to take part in managing the Bank
- Provide shareholders with a real opportunity to take part in the distribution of the Bank's net profit (receive dividends)
- Provide shareholders with accurate, timely and complete information regarding the Bank's financial position, economic indicators, results and management structures to ensure substantiated and informed decisions by shareholders and investors
- The Board of Directors is to conduct the strategic management of the Bank and effectively oversee the executive body's activities, and directors are to be accountable to the Bank's shareholders
- The Management Board is to be given the opportunity to manage the Bank effectively and in good faith and to be accountable to the Board of Directors and shareholders
- Define ethical standards for shareholders and the Bank's officials, ensuring maximum operational transparency
- Create long-term economic value for all stakeholders
- Respect human rights, inclusiveness, diversity and the fair and equal treatment of all
- Respect the environment
- Cultivate the practice of responsible financing and effective management of ESG risks
- Observe all applicable laws and obligations
- Adhere to ethical business approaches and introduce the best corporate governance practices
- Enhance information disclosure and transparency

* UK Corporate Governance Code (2018)

The Board of Directors and Management Board confirm that the Bank conducts its activities in accordance with the principles, provisions and procedures set forth by the Corporate Governance Code.

By accepting, streamlining and adhering strictly to the Corporate Governance Code, the Charter and other internal regulations, the Bank confirms its intention to encourage the development and improvement of the best corporate governance practices.

Compliance with the UK Corporate Governance Code*

This section has been prepared in accordance with section DTR 7.2. of the UK Financial Conduct Authority's Disclosure and Transparency Rules (corporate governance statements).

The Bank is not formally required to comply with the UK Corporate Governance Code published by the Financial Reporting Council, the independent regulator of the United Kingdom. However, in accordance with DTR 7.2, the Bank is obliged to disclose information about its compliance with both the Kazakh Corporate Governance Code and the existing corporate governance principles to which it adheres besides those stipulated in Kazakh legislation.

The Bank considers the UK Corporate Governance Code a guideline for the further development of corporate governance.

The Bank's Corporate Governance Code contains several differences from the UK Corporate Governance Code. Below are the main ones.

UK Corporate Governance Code	The Bank's Corporate Governance Code
Stipulates a maximum three-year term for the re-election of directors.	Does not require the regular re-election of the Board. Instead, the scope of the General Shareholder Meeting includes determining the Board's term of authority. The General Shareholder Meeting of 25 May 2023 set a three-year term for the current Board.
Provides for meetings of non-executive directors at least annually, particularly to appraise the chairman's performance.	In 2023, non-executive directors held informal meetings that were also attended by the corporate secretary to discuss strategic issues, ways to improve corporate governance processes and the Board's activities, and to improve the work of the corporate secretary.

UK Corporate Governance Code	The Bank's Corporate Governance Code
At least half of the Board, excluding the chairman, should consist of independent non-executive directors.	In accordance with Kazakh legal requirements, at least one third of the Board's members must be independent directors. The composition of the Board, as appointed by the General Shareholder Meetings on 25 May and 1 December 2023, includes six independent non-executive directors out of eight.
Non-executive directors should carefully analyse to what extent the Management Board's work fulfils the aims and objectives set, monitor its activities, and ensure that financial information is complete and that financial controls and the risk management system are effective and reliable.	In accordance with Kazakh legal requirements, all members of the Board of Directors monitor the activities of the Management Board.
The Board of Directors should ensure that an appropriate succession plan is in place when appointing members of the Board of Directors and the senior management in order to create an appropriate balance of skills and experience in the company and the Board of Directors and to continuously refresh the talent pool.	Stipulates the procedure for creating the Board of Directors and requirements for its candidates, the aim being to ensure an optimal balance of experience and knowledge needed for the Board of Directors to function effectively.

Halyk Bank's Corporate Governance Code can be found on the corporate website: https://halykbank.kz/en/about-bank/korporativnoe-upravlenie.

Compliance with the Corporate Governance Code of Kazakhstan

The Bank sent a letter to the Kazakhstan Stock Exchange (Ref. No. 11879 dated 23 June 2023) confirming that it had assessed its compliance with and observes 92.1% of the overall principles of the Model Code*. Compliance with the principles of the Model Code has risen since 2021, increasing from 85.5% to 92.1%.

* The Model Code is the Corporate Governance Code of Kazakhstan (approved by Resolution No. 4 of the Presidium of the Atameken National Chamber of Entrepreneurs of Kazakhstan dated 27 April 2021).

The Bank is working tirelessly to cultivate its corporate governance system, particularly by incorporating the principles and policies of sustainability (ESG) into its corporate governance system, transforming the committees of the Board of Directors, using an effective risk management and internal control system, and regularly improving the professional skills of internal audit, risk management and compliance employees, as well as the corporate secretary.

We firmly believe that achieving all of the key goals set in Halyk Group's Development Strategy for 2022-24 and adhering to the key principles of corporate governance and sustainability enshrined in the Corporate Governance Code will enable the Bank to achieve full compliance with the principles of the Model Code.

Corporate governance events in 2023

- On 25 May 2023, the Bank held its annual General Shareholder Meeting, at which 13 decisions were taken regarding matters under consideration, including information about shareholders' appeals concerning the actions of the Bank and its officials.
- A new version of the Bank's Charter was approved at the annual General Shareholder Meeting, with the removal of the word "savings" from the Bank's full official name. The Bank was re-registered by the government due to the change in its name, and now its full name is Joint-Stock Company Halyk Bank of Kazakhstan. New versions of the Bank's Corporate Governance Code and the Regulation on the Board of Directors were approved at the annual General Shareholder Meeting.
- At the annual General Shareholder Meeting, the decision was taken to pay dividends for 2022 of KZT25.38 per common share, which represented 50% of the Bank's total consolidated net income for 2022. The Bank paid dividends of KZT276.852 billion on common shares to the current bank accounts of the Bank's shareholders on record with the Bank or listed in the system of the securities holder registrar or the nominal holding accounting system. Total dividends paid to such shareholders amounted to KZT276.138 billion from 6 June 2023 (the start date of dividend payments) to 23 August 2023 inclusive, including KZT78.79 billion on GDRs, for which the Bank's common shares are the underlying asset. On 29 August 2023, the Bank transferred dividends of KZT714 million that were accrued but not paid due to the lack of shareholders' current bank details to an account for unclaimed funds at the Central Securities Depository (hereinafter the Central Depository) in accordance with the requirements of the Kazakh law on joint-stock companies.
- At the annual General Shareholder Meeting, the following individuals were elected to the Bank's Board of Directors: Alexander Pavlov, Piotr Romanowski, Arman Dunayev, Hermann Tischendorf and Frank Kuijlaars as independent non-executive directors, Mazhit Yessenbayev as a representative of Holding Group ALMEX and Umut Shayakhmetova as chairperson of the board.
- At the annual General Shareholder Meeting, changes were approved to the methodology for

determining the value of shares repurchased by Halyk Bank on the OTC securities market. These changes were required to bring the methodology into compliance with the requirements of the laws of Kazakhstan introduced on 1 January 2023, and also to bring its provisions into line with current practices and simplify corporate governance processes.

- On 1 December 2023, the Bank held an extraordinary General Shareholder Meeting, at which the following decisions were taken: 1) to terminate the powers of Mazhit Yessenbayev as a member of the Board of Directors ahead of term based on his own initiative; 2) to expand the members of the Board of Directors from seven to eight people; 3) to additionally elect Zhaksybek Kulekeyev to the Board of Directors as an independent non-executive director and Zhomart Nurabayev as a representative of Holding Group ALMEX .
- In 2023, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities, consistent with best international practices. The results of the assessment (self-assessment) were submitted for consideration to the Bank's shareholders at the General Shareholder Meeting.
- In 2023, 10 official appeals by the Bank's shareholders were considered regarding dividend payments on the Bank's shares, the provision of information about the presence/absence of shareholders' personal details in the Central Depository, details of the agenda for the General Shareholder Meeting, the provision of information to a notary regarding any investigation into share ownership and dividend payments, and other matters concerning the Bank's activities and Kazakh securities market legislation.
- The Bank prepared and published its sustainability report for 2023 as part of its systematic approach to sustainable development.
- In 2023, in-person meetings of the Board of Directors considered reports on the implementation of the Action Plan for the Introduction of Sustainable Development Principles and Goals for 2022-24.
- An introductory course (Board Book) for new members of the Bank's Board of Directors was updated and a training course on corporate governance and sustainability (ESG) was prepared to hold seminars for Halyk Group's corporate secretaries and managers.
- The corporate governance practices at the Bank's Kazakh and foreign subsidiaries were reviewed and a report was prepared with recommendations for improvement.
- The corporate secretary conducted a two-day training course in Tashkent for Tenge Bank managers on corporate governance and ESG issues.
- In 2023, employees of the Bank and subsidiaries responsible for the functioning and development of corporate governance underwent certification.
- The results were reviewed of the Bank's stress testing based on a general economic scenario for 2024 (using the scenario analysis).

Corporate governance structure

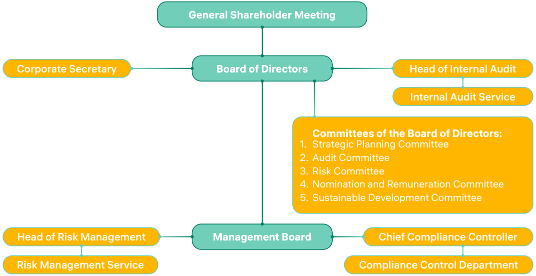
The Board of Directors has the following consultancy and advisory bodies: Strategic Planning Committee, Audit Committee, Nomination and Remuneration Committee, Sustainable Development Committee and Risk Committee. For more details of their work, please see the respective subsection below.

The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management Board or Board of Directors for approval.

To ensure best corporate governance practices, the Board of Directors is assisted by internal and external auditors, as well as a chief compliance controller, head of internal audit, chief risk officer, chief legal adviser, corporate secretary and others.

The Bank engages 'Big Four' professional services firms to audit the financial statements of Halyk Group. In 2023, this was carried out by Deloitte LLP.

Functions are allocated between the Board of Directors and the Management Board in accordance with Kazakh law.



Board of Directors structure

As of 1 January 2024, the composition of the Board of Directors was as follows.

BOARD OF DIRECTORS

Alexander Pavlov	Chairman of the Board of Directors, Risk Committee Chairman, independent non-executive director
Arman Dunayev	Audit Committee Chairman, member of the Board of Directors, independent non-executive director
Frank Kuijlaars	Nomination and Remuneration Committee Chairman, member of the Board of Directors, independent non-executive director
Zhaksybek Kulekeyev	Member of the Board of Directors, independent non-executive director
Zhomart Nurabayev	Member of the Board of Directors, representative of Holding Group ALMEX
Hermann Tischendorf	Chairman of the Sustainable Development Committee, member of the Board of Directors, independent non-executive director
Piotr Romanowski	Chairman of the Strategic Planning Committee, member of the Board of Directors, independent non-executive director
Umut Shayakhmetova	Member of the Board of Directors, Chairperson of the Management Board
TOTAL	**8 DIRECTORS**

When determining the independence of the directors, the Board of Directors uses the criteria stipulated by Kazakh law.

Directors' skills and experience

The Bank seeks the best balance of experience, skills and vision in its directors. Having various views when discussing issues allows the Board of Directors to exercise its duties and represent the interests of shareholders most effectively.

Independent directors contribute international experience, strategic vision, insight into the largest industries where the Bank operates, corporate governance and risk management.

At the same time, all directors have knowledge of banking activities, finance in general and human resources management, including remuneration issues.

The skills and experience of the Board of Directors are summarised below.

DIRECTORS' SKILLS AND EXPERIENCE

Banking	7 directors
Oil and gas and mining	4 directors
Other industries in the real economy	6 directors
Finance	8 directors
Leadership	8 directors
Risk management	4 directors
Medicine and biotechnology	1 director
International experience	5 directors
Strategic vision	8 directors
Corporate governance	8 directors
Human resource management	8 directors
Sustainable development	8 directors
IT and telecommunications	1 director

Management Board structure

In 2023, there were no changes to the members of the Management Board. As of 1 January 2024, the composition of the Management Board was as follows.

MANAGEMENT BOARD

Umut Shayakhmetova	Chairperson of the Management Board *HR, Legal, Customer Service Quality and Internal Security*
Aivar Bodanov	Deputy Chairman *Security and Problem Loans, CISO*
Olga Vuros	Deputy Chairperson *Corporate Banking*
Murat Koshenov	Deputy Chairman *Financial Block, Financial Institutions and International Relations and Subsidiaries*
Zhumabek Mamutov	Deputy Chairman *Retail Banking*
Roman Mashchyk	Deputy Chairman *Compliance, Risks and DS*
Nariman Mukushev	Deputy Chairman *Digital Public Services and Ecosystems*
Yertai Salimov	Deputy Chairman *Operations, Treasury, Resources, Chancellery and Contact Centre*
Dauren Sartayev	Deputy Chairman *SME Banking, Transactional Banking, Service and Sales Development, Marketing and PR*
TOTAL	**9 MEMBERS**

* Christof Ruehl stepped down as a member of the Board of Directors as of 25 May 2023 (Resolution No. 48 of the annual General Shareholder Meeting dated 25 May 2023)

** Mazhit Yessenbayev stepped down as a member of the Board of Directors as of 1 December 2023 (Resolution No. 49 of the extraordinary General Shareholder Meeting dated 1 December 2023)

Activities of the Board of Directors

In general, the Board of Directors and its committees work in accordance with the plans for respective periods.

In 2023, Halyk Bank's Board of Directors held seven meetings in person, at which 52 matters were considered, as well as 61 in absentia, at which 558 matters were considered.

Attendance statistics for the meetings of the Board of Directors were as follows.

Member of the Board of Directors	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Alexander Pavlov	6/51	38/373
Arman Dunayev	7/52	61/558
Mazhit Yessenbayev**	4/40	45/367
Frank Kuijlaars	7/52	59/549
Zhaksybek Kulekeyev******	1/5	3/40
Zhomart Nurabayev******	1/5	5/51
Christof Ruehl*	2/30	21/186
Piotr Romanowski	7/52	61/558
Hermann Tischendorf****	5/22	39/367
Umut Shayakhmetova	7/52	50/489
TOTAL:	**7/52**	**61/558**

*** Hermann Tischendorf was elected as a member of the Board of Directors as of 25 May 2023 (Resolution No. 49 of the extraordinary General Shareholder Meeting dated 1 December 2023)

**** Zhaksybek Kulekeyev and Zhomart Nurabayev were elected as members of the Board of Directors as of 1 December 2023 (Resolution No. 49 of the extraordinary General Shareholder Meeting dated 1 December 2023)

The most important matters that the Board of Directors considered in 2023 included the following.

1. The Board of Directors considered the results of a scenario analysis on the impact of potential risks on the Bank's financial stability in 2024.
2. The Board of Directors considered proposals on the feasibility of adjusting Halyk Group's Development Strategy for 2024, after which it decided that it would be inappropriate to adjust the current version of Halyk Group's Development Strategy for 2022-24.
3. Based on the new versions of the Charter and the Corporate Governance Code approved at the annual General Shareholder Meeting on 25 May 2023, the Bank undertook the voluntary commitment to annually assess the compliance of its operations with the provisions of the Model Code in accordance with the 'comply or explain' principle. To fulfil this commitment, the Bank sent a letter to the Kazakhstan Stock Exchange (Ref. No. 11879 dated 23 June 2023) confirming that it had assessed compliance with the principles of the Model Code.
4. The Bank prepared and published its sustainability report for 2022. This document detailed the main aspects of the Bank's ESG activities. The Bank made a voluntary commitment to provide transparent disclosure of key information about its sustainability performance by publishing this report.
5. The Board of Directors drafted and tentatively approved new versions of the Bank's Charter, Corporate Governance Code and Regulation on the Board of Directors, which were later approved at the annual General Shareholder Meeting.
6. In accordance with the requirements of the Bank's Corporate Governance Code, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in 2022. The results were submitted for consideration to the Bank's shareholders at the annual General Shareholder Meeting.
7. As part of the preparation of materials for the annual General Shareholder Meeting, changes were drafted and tentatively approved to the methodology for determining the value of shares repurchased by Halyk Bank on the OTC securities market, which were later approved at the annual General Shareholder Meeting.
8. The Board of Directors decided to sell 100% of Halyk Bank Kyrgyzstan.

Overall, the goals that the Board of Directors has set for Halyk Group were achieved, including maintaining Halyk Bank's position as the leading bank in Kazakhstan, improving customer service and developing banking products.

At the meetings in person, the Board of Directors discussed key strategic issues, such as:

- Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's Development Strategy for 2022-24 (including the Bank's technological transformation, as well as the development of digital products and services)
- The results of the operations and budget execution of the Bank and Halyk Group for 2022 and H1 2023
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2024
- A report on compliance with the internal capital adequacy assessment process and the internal liquidity adequacy assessment process for 2022
- Reports on the progress of the Action Plan for the Implementation of the Sustainable Development Principles and Goals for 2022-24
- Reports on the completion of work and current issues in the operations of Halyk Aktiv and KUSA Halyk in 2022
- The internal audit department's working plan for 2024 and long-term working plan for 2025-27
- Changes to the composition of several committees of the Board of Directors
- The Bank's major projects
- Preliminary approval of the Bank's 2022 financial statements and quarterly performance reports of the Management Board
- The reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

The Board of Directors also considered the results of stress tests on Halyk Bank's loan portfolio based on global economic development scenarios to determine the impact on the loan portfolio and capitalisation of Halyk Bank.

The Board of Directors is confident that even under the worst-case scenario, the Bank's positions will remain sufficiently strong.

The Board also heard reports from the head of risk management and chief compliance controller about the risk management and compliance processes in place at Halyk Bank and individual subsidiaries, as well as about AML/CFT efforts.

Absentee voting was conducted for routine issues that are included in the Board of Directors' duties by law or by the Bank's internal documents, as well as urgent issues that could not wait until the next ordinary meeting in person.

Detailed committee reports

General provisions

The Board committees are consulting and advisory bodies to the Board of Directors. All their suggestions are recommendations for consideration by the Board of Directors.

Under Kazakh law, committee members are members of the Board of Directors and experts. More detailed information on the composition of the committees is provided below in the subsections on the activities of the respective committees.

Audit Committee

The Audit Committee was established in July 2005.

The committee consists of three members of the Board of Directors who are elected by a majority of Board members. The committee is chaired by an independent non-executive director.

Its members are:

1. **Arman Dunayev** – chairman, independent non-executive director
2. **Alexander Pavlov** – member, independent non-executive director
3. **Piotr Romanowski** – member, independent non-executive director

All committee members are independent non-executive directors who are knowledgeable and experienced in accounting and tax accounting, financial statements, internal and external auditing, and risk management.

Committee functions

The committee assists the Board of Directors in matters concerning the completeness and authenticity of financial and other reports, compliance of the Bank and its subsidiaries with legal requirements and internal documents (compliance control), selection and independence of the external auditor, adequacy and efficiency of internal control and risk management systems, and coordination of external and internal audit activities.

Committee activity

In 2023, the committee held two meetings in person, at which it considered three matters, and 38 meetings in absentia, at which it considered 40 matters.

Member of the Audit Committee	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Alexander Pavlov	1/2	23/27
Arman Dunayev	2/3	38/40
Christof Ruehl*	1/2	13/13
Piotr Romanowski**	1/1	25/27
TOTAL:	**2/3**	**38/40**

To ensure the completeness and reliability of the financial statements, the committee reviewed the external auditor's interim (quarterly) financial reports, as well as letters to the management of the Bank and subsidiaries. It also approved the annual financial statements for 2022 and submitted them to the Board of Directors for consideration. As part of this work, the committee discussed the principles of the most important accounting judgments, policies and procedures, among other matters, with the external auditor and the Bank's finance department.

In 2023, the committee worked closely with the internal audit department and considered the following matters: the internal audit budget and working plan; results of audits; management reports on internal audit issues; internal audit department personnel matters; and draft internal regulatory documents governing the internal audit department's work.

In 2023, the committee also reviewed the quarterly analytical reports on the Bank's portfolio quality prepared by the risk management service.

* Christof Ruehl stepped down as a member of the Board of Directors as of 25 May 2023 (Resolution No. 48 of the annual General Shareholder Meeting dated 25 May 2023)

** Piotr Romanowski was elected as a member of the Audit Committee on 25 May 2023 (Resolution No. 4, Item 2 of the extraordinary meeting of the Board of Directors dated 25 May 2023)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established in September 2007.
The committee consists of three members of the Board of Directors who are elected by a majority of Board members. At least two of the committee's members must be independent non-executive directors.

Its members are:

1. **Frank Kuijlaars** — chairman, independent non-executive director
2. **Alexander Pavlov** — member, independent non-executive director
3. **Arman Dunayev** — member, independent non-executive director

All members of the committee are independent non-executive directors and have extensive experience in human resources management, including remuneration issues.

Committee functions

The committee makes recommendations to the Board of Directors regarding candidates for the Board of Directors, Management Board and boards of directors of the Bank's subsidiaries; the remuneration system for members of the Board of Directors and Management Board; the salaries of the boards of directors and executive bodies of subsidiaries; and ways to improve ethical standards to enhance the corporate culture at the Bank.

Committee activity

In 2023, the committee held 12 meetings in absentia, at which it considered a total of 20 matters.

Member of the Nomination and Remuneration Committee	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Frank Kuijlaars	-	12/20
Alexander Pavlov	-	12/20
Arman Dunayev	-	12/20
TOTAL:	**-**	**12/20**

The Nomination and Remuneration Committee reviewed: a report on the assessment (self-assessment) of the activities of members of the Board of Directors; recommendations on candidates for members of the Boards of Directors and the Bank's subsidiaries; changes and additions to the Bank's organisational structure; and bonuses for members of the Board of Directors, employees of the internal audit service and the corporate secretary.

Remuneration to the members of the Board of Directors and Management Board of Halyk Bank for 2023 totalled:

(KZT)

Members of the Bank's Board of Directors and Management Board	Total income
	4,201,900,567.03

In 2023, the following mandatory deductions were made from the above income of members of the Board of Directors and Management Board of Halyk Bank:

(KZT)

Members of the Board of Directors and Management Board	Individual income tax	Mandatory pension contributions	Compulsory health insurance contributions	Total mandatory deductions
	417,116,131.74	32,200,000.00	1,526,000.00	450,842,131.74

Remuneration to members of the Management Board is based on the following three factors:

- An assessment of the position that determines its significance (value) for the organisation, as well as the degree of influence of the manager's work on the Bank's final results
- Remuneration for comparable positions in the regional labour market
- An assessment of the activities of the Bank's managers, which is used to determine the annual bonus

The fundamental principles of the remuneration system for members of the Board of Directors are the relationship between Board members' compensation and:

- Their personal qualifications and contribution to the Bank's performance
- The execution of their duties and achievement of goals in the interests of the Bank and its shareholders

Strategic Planning Committee

The Strategic Planning Committee was established in April 2012.

The committee consists of five members of the Board of Directors who are elected by a majority of Board members, as well as four experts who are members of the Management Board overseeing the Bank's key strategic priorities.

The Strategic Planning Committee is chaired by an independent non-executive director. Its members and experts have experience in the following areas: IT development; developing and providing banking services; risk management and budget planning.

Its members are:

1. **Piotr Romanowski** — chairman, independent non-executive director
2. **Zhomart Nurabayev** — member, representative of the Bank's largest shareholder Holding Group ALMEX
3. **Alexander Pavlov** — member, independent non-executive director
4. **Hermann Tischendorf** — member, independent non-executive director
5. **Umut Shayakhmetova** — member, chairperson of the Management Board
6. **Olga Vuros** — expert (non-voting member)
7. **Murat Koshenov** — expert (non-voting member)
8. **Zhumabek Mamutov** — expert (non-voting member)
9. **Dauren Sartayev** — expert (non-voting member)

Committee functions

The committee assists the Board of Directors in matters regarding Halyk Group's strategy; the Bank's sustainable development strategy and monitoring of its implementation; the determination of medium- and long-term sustainable development goals and KPIs and monitoring of the implementation of the action plan to achieve them; the analysis of reports on strategy implementation; and monitoring of the external environment and its impact on the Group's strategic plans. It conducts a preliminary review of the Bank's draft budget for the corresponding year, as well as its draft profitability management policy, and monitors and controls compliance by the Bank and its employees with this policy.

Committee activity

In 2023, the committee held three meetings in person, at which it considered eight matters, and two in absentia, at which it considered two matters.

Member of the Strategic Planning Committee	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Arman Dunayev	3/8	2/2
Alexander Pavlov	3/8	2/2
Mazhit Yessenbayev**	3/8	2/2
Piotr Romanowski	3/8	2/2
Zhomart Nurabayev***	-	-
Umut Shayakhmetova	3/8	2/2
Murat Koshenov*	3/8	2/2
Dauren Sartayev*	3/8	2/2
Olga Vuros*	3/8	2/2
Zhumabek Mamutov*	3/8	2/2
TOTAL:	**3/8**	**2/2**

* expert (non-voting member)

** Mazhit Yessenbayev stepped down from the Committee on 26 December 2023 (Resolution No. 59 of the extraordinary meeting of the Board of Directors dated 26 December 2023)

*** Zhomart Nurabayev joined the Committee on 26 December 2023 (Resolution No. 59 of the extraordinary meeting of the Board of Directors dated 26 December 2023)

The committee reviewed the results of the implementation of Halyk Group's Development Strategy for 2022-24 in 2022 and Halyk Group's Development Strategy for 2022-24 in the first half of 2023. The analysis showed satisfactory progress.

The committee also reviewed the Bank's draft budget for 2024 and the execution of the Bank's budget for H1 2023.

In addition, the committee analysed changes in the external environment (regulatory, economic, financial and so on) and assessed the impact of such changes on Halyk Group's Development Strategy for 2022-24.

Sustainable Development Committee

In April 2022, the Social Responsibilities Committee was transformed into the Sustainable Development Committee.

The committee consists of four members of the Board of Directors, who were elected by a majority vote of all members of the Board of Directors, and two experts, who are Board members in charge of ESG, sponsorship and charity issues. A majority of the committee members are independent directors.

Its members are:

1. **Hermann Tischendorf** – chairman, independent non-executive director
2. **Arman Dunayev** – member, independent non-executive director
3. **Frank Kuijlaars** – member, independent non-executive director
4. **Zhaksybek Kulekeyev** – member, independent non-executive director
5. **Umut Shayakhmetova** – member
6. **Murat Koshenov** – member, expert (non-voting member)
7. **Dauren Sartayev** – member, expert (non-voting member)

Committee functions

The main goals of the Sustainable Development Committee are to assist the Bank's Board of Directors in establishing a sustainable development system at the Bank, ensure its functioning and inform the Board of Directors about measures taken to embed sustainable development and ESG principles in the Bank's activities.

Committee activity

In 2023, the committee held two meetings in person, at which it considered two matters, and two in absentia, at which it considered three matters.

Member of the Sustainable Development Committee	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Hermann Tischendorf*	1/1	2/3
Frank Kuijlaars	2/2	2/3
Arman Dunayev	2/2	2/3
Zhaksybek Kulekeyev**	-	-
Christof Ruehl***	1/1	-
Umut Shayakhmetova	2/2	2/3
Dauren Sartayev	2/2	2/3
Murat Koshenov	2/2	2/3
TOTAL:	**2/2**	**2/3**

* Hermann Tischendorf assumed the duties of committee chairman on 25 May 2023 (Resolution No. 4, Item 5 of the extraordinary meeting of the Board of Directors dated 25 May 2023)

** Zhaksybek Kulekeyev became a committee member on 26 December 2023 (Resolution No. 59 of the extraordinary meeting of the Board of Directors dated 26 December 2023)

*** Christof Ruehl stepped down as a committee member on 25 May 2023 (Minutes No. 48 of the annual General Shareholder Meeting dated 25 May 2023)

The Sustainable Development Committee reviewed the following matters:

- Reports on the progress of the Action Plan for the Implementation of the Sustainable Development Principles and Goals for 2022-24
- A report on the sponsorship and charity activity of Halyk Bank and the Halyk Fund for 2023
- The plan for the main sponsorship and charity events of Halyk Bank and the Halyk Fund for 2024

Risk Committee

The Risk Committee was established in May 2020.

Its members are:

1. **Alexander Pavlov** – chairman, independent non-executive director
2. **Arman Dunayev** – member, independent non-executive director
3. **Piotr Romanowski** – member, independent non-executive director
4. **Umut Shayakhmetova** – member, chairperson of the Management Board
5. **Roman Mashchyk** – expert (non-voting member)

Committee functions

The committee assists the Board of Directors in matters regarding establishing an effective risk management and internal control system at the Bank, ensuring that it functions properly, and informing the Board of the Bank's acceptable risk levels. It is primarily tasked with:

1. Regularly assessing the risks inherent in the Bank's activities, including when reviewing management risk reports, as well as keeping the Bank's risk profile up to date
2. Preparing recommendations for the Board of Directors as necessary on the following matters:
   - Managing the primary types of risks inherent in the Bank's activities (regarding credit, liquidity, market, capital management, operational, business continuity management, information technology, information security, strategy, reputation and ESG risks) to develop individual strategic decisions regarding the Bank's risk appetite strategy and risk profile
   - Managing the Bank's compliance risks
   - Ensuring the adequacy and effectiveness of the Bank's internal control system
   - Addressing other matters that are under its remit based on applicable legislation and the Bank's internal regulations
3. Performing oversight of the Bank's internal control system
4. Ensuring the introduction of procedures to identify, prioritise and manage the ESG risks of the Bank's borrowers
5. Ensuring compliance with responsible financing principles and the inclusion of ESG criteria in decision-making processes on project financing by embedding them in the Bank's Credit Policy
6. Ensuring the incorporation of ESG risk management processes in the Bank's overall risk management system to minimise the negative impact of lending and investment activities
7. Ensuring the introduction of procedures to assess the impact of climate risks on the business model and strategic planning, as well as conducting scenario analysis and stress tests

Committee activity

In 2023, the committee held three meetings in person, at which it considered six matters, and 18 in absentia, at which it considered 33 matters.

Member of the Risk Committee	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Alexander Pavlov	2/4	12/19
Arman Dunayev	3/6	18/33
Piotr Romanowski	3/6	18/33
Umut Shayakhmetova	3/6	16/28
Roman Mashchyk*	3/6	17/31
Almas Makhanov**	3/6	11/20
TOTAL:	**3/6**	**18/33**

During the meetings held in person, the Risk Committee considered the following matters:

* Roman Mashchyk is a member of the Risk Committee of the Board of Directors (non-voting expert).

** Almas Makhanov was a member of the Risk Committee of the Board of Directors (non-voting expert) who stepped down from the Risk Committee on 3 October 2023 due to the termination of his powers as head of risk management at the Bank (Resolution No. 44 of the extraordinary meeting of the Board of Directors dated 3 October 2023).

- A report on the compliance (self-assessment) of internal processes for assessing capital adequacy and liquidity adequacy for 2022
- Presentations on the Bank's portfolio quality for the reporting period
- A report about the Bank's 20 largest borrowers for the reporting period

Absentee voting was conducted for routine issues included in the committee's duties by law or by the Bank's internal documents, including:

- Management reporting about the Bank's risks
- Consideration and approval of the stress test results
- Approval of changes to Halyk Group's Development Strategy for 2022-24
- Approval of the validation of the default probability model used to monitor Small Business clients as part of the EWS
- Approval of reports on the validation of the scoring model for the Unsecured Lending product and the scoring model for the Commodity Lending product
- Consideration of the monitoring and assessment of how effectively the Bank's Management Board implemented the compliance risk management policy and internal control policy, as well as recommendations that aim to minimise compliance risks and improve components of the Bank's internal control system
- Introduction of amendments and additions to the Bank's internal regulations

Board assessment results for 2023

1. Board work style and culture

- The Board follows a classic management model in its activities due to the need to comply with applicable laws, risks and shareholder interests. The Board's psychological atmosphere and work style promote constructiveness and efficiency. The Board of Directors, Management Board and other key employees of the Bank need to continue to have regular in-person meetings to exchange information and develop new ideas for the Bank's sustainable development and the creation of Halyk Group's Development Strategy for 2025-27.
- The key motivating factors for Board members are: the scale of the Bank's operations as the largest financial institution in the country; the vibrant personalities of the Bank's senior management; the opportunity to share experience and knowledge with other Board members; the desire to achieve self-fulfilment at the strategic level; and a high level of transparency and corporate governance.
- The Board supports initiatives to develop corporate governance, ESG and the ecosystem, and to introduce new tools that can improve its performance.
- The Board possesses the necessary expertise in finance, financial reporting, internal control and audit, banking, risk management, IT and corporate governance.
- The most critical areas of the Board's expertise are: digital transformation; innovation; risk management; finance; internal control and audit; human resources and talent development; strategic management; and sustainable development (ESG).
- The key skills for the Board to function effectively are: the ability to make decisions under uncertain conditions; constructive criticism and feedback; creative thinking and the search for ideas; and international experience in business and IT.
- There are no obvious or latent conflicts among the Board members that affect its efficiency, and all Board members focus on working together efficiently as a collegial management body.
- The relationship between the Board of Directors and Management Board contributes to the Bank's ability to operate in the interests of shareholders and other stakeholders (customers, employees and so on).

2. Board composition and structure

- The Board's composition is optimal and balanced (in terms of members' knowledge and experience) to perform the functions assigned to it, including to oversee the implementation of the Bank's Development Strategy. The Board of Directors intends to enhance its expertise in information technology, cybersecurity, artificial intelligence, audits, ESG, big data and innovation in the banking business.
- In 2023, significant changes were made to the Board's composition (the number of Board members was increased from seven to eight people) with the election of three new Board members (Zhaksybek Kulekeyev, Zhomart Nurabayev and Hermann Tischendorf), who have extensive experience and knowledge in such areas as IT, telecommunications, digital products, ecosystems, finance, economics and management. One of the Board members advises the European Union on sanctions compliance.
- The Bank has an optimal system in place to improve Board members' expertise and qualifications. The Bank monitors technological advances and new approaches in banking, in both Kazakhstan and other countries where it operates. Where necessary, additional training will be provided for Board members. In 2023, information sessions (seminars and training) were held for the Board of Directors and the Management Board in banking, finance, macroeconomics and strategic management.

- The Bank has an effective system for selecting Board members that helps it to attract true professionals. It has formed a roster of candidates who have the right to apply to be independent directors of the Bank and its subsidiaries. One potential source of information about candidates for the Board of Directors may be details from the Bank's minority shareholders (lists of potential Board candidates that may be requested by the IR Service within a period sufficient to verify their compliance with the requirements of Kazakh laws).
- At present, the gender structure of the Board of Directors consists of 87% men and 13% women (the slight change in the Board's gender structure compared with 2022 is due to an increase in the total number of Board members from seven to eight people). To comply with best international practices, the assessment recommended considering the possibility of increasing the percentage of women on the Board of Directors from 13% to 30% (for example, women account for 30% of management bodies in the US and 39% in Europe).
- The average age of members of the Board of Directors is 59 years (for comparison, the average age of Board members in the 2022 report was 62 years). A review of corporate governance practices in Kazakhstan prepared by the international consulting company Korn Ferry* shows that the average age of a member of the Board of Directors in Kazakhstan is 53 years, while in Europe it is 60 years.

3. *Board planning and operating procedures*

- All newly elected Board members receive a Board Book containing the information needed to quickly familiarise themselves with the work of the Bank and Board of Directors. This includes key milestones in the Bank's history, Halyk Group's Development Strategy, the Bank's organisational structure, the procedures of the Board of Directors and Management Board, and the duties of Board members. All newly elected and current Board members also have access to training materials on ESG topics.
- The mandate of the Board of Directors is established in the new version of the Bank's charter, corresponds to its current strategic objectives and does not require any adjustments.
- The quantity, frequency and duration of Board meetings, including the ratio of in-person and absentee meetings, meets the Bank's needs (the Board held seven in-person meetings and 61 absentee meetings in 2023). Board members intend to continue working in a hybrid format (two to three in-person meetings and two to three absentee meetings held by videoconference).
- In December 2023, a strategic session was organised and attended by all members of the Board of Directors and the Management Board. The assessment recommended that the Board of Directors and the Management Board increase the number of formal and informal working meetings (for example, at meetings of the committees of the Board of Directors) to hold in-depth sessions on the implementation of the Bank's business objectives and strategy.
- To comply with the best international corporate governance practices, the assessment recommended analysing the G20/OECD Principles of Corporate Governance (as amended in September 2023)** and the UK Corporate Governance Code*** (as amended in January 2024) and, where necessary, incorporating their provisions into the Bank's Corporate Governance Code.

4. *Effectiveness of corporate procedures and workflow*

- The existing corporate procedures allow the Board of Directors to respond to external and internal threats promptly (pandemic, terrorist attacks, military conflicts, sanctions and so on) and, if necessary, take measures to ensure the continuity of the Bank's operations.
- The process of preparing for and holding Board meetings is detailed in the Bank's internal regulations, which describe the operating procedures and logistics under normal conditions (without restrictions).
- The new version of the Rules for Preparing Documents Related to Convening and Holding Meetings of the Bank's Board of Directors has helped to improve quality and reduce the amount of paper materials for members of the Board of Directors (the volume of materials printed for the Board of Directors decreased by 70% compared with 2020-21).
- To incorporate the experience gained from working during the pandemic, corporate procedures have been adapted to the conditions in which the Bank operates (remote work, use of software for video meetings and workshops, restrictions on movement within cities and countries, lack of opportunities to print and physically sign documents and so on).
- In 2023, the Bank switched to a new electronic document management system (Thesis EDMS), which helped to digitise numerous internal document approval procedures. A project was launched in 2023 to develop and incorporate the Meetings module (Thesis EDMS) to prepare for and hold meetings of collegial bodies (the Board of Directors, Management Board and their committees) in digital format (this project is scheduled to be completed in 2024).
- The Bank follows best practices and takes into account the specifics of its operations to determine which internal documents and policies must be developed and/or approved by the Board of Directors. The Board regularly analyses the Bank's internal regulations that fall within its remit and considers proposals of the Management Board to bring them into compliance with current Kazakh law, reduce bureaucracy and simplify corporate governance processes.

* https://forbes.kz/actual/stats/kak_vyiglyadyat_sovetyi_direktorov_kompaniy_v_kazahstane/

** https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2023_ed750b30-en

***https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/

5. Functional areas of the Board's work

- In 2023, new versions of the Charter, Corporate Governance Code and the Regulation on the Board of Directors were drafted and approved to incorporate sustainable development principles (ESG) into the Bank's corporate governance system, as well as to expand the powers and responsibilities of the Board of Directors and the Management Board to incorporate such principles into the Bank's operations
- Materials presented for meetings of the Board of Directors are complete, high-quality and contain necessary and sufficient information on the agenda items for a member of the Board of Directors to make an informed decision. The procedures for preparing materials for meetings of the Board of Directors of the Bank are standardised and enshrined in the relevant IRR of the Bank, which is reviewed on a regular basis and adapted to changes in the processes of preparing and holding meetings of the Bank's Board of Directors.
- To strengthen control over the implementation of the Bank's Development Strategy, plans and programmes, the Board uses its Strategic Planning Committee, as well as informal meetings of members of the Board of Directors and the Management Board, to discuss business, the Bank's Strategy, short- and long-term market trends, and competitor analysis in Kazakhstan and the countries where Halyk Group operates.
- The Board sets and approves KPIs for the Bank's executives and regularly reviews the Management Board's performance regarding budget indicators and strategic objectives for the reporting period at least once every six months.

Relations with minority shareholders

The Bank strives to continuously improve its system for working with minority shareholders, which allows them to ask questions and receive the necessary information conveniently (in writing, by email and/or by telephone).

Communications from minority shareholders and their wishes are analysed regularly. The Bank informs shareholders of all substantial news, corporate events, changes to its activities that relate to holders of its shares and bonds, and planned events via its online resource, the websites of stock exchanges and financial reporting depositary websites.

Where necessary, employees of the Head Office provide consultations to branch employees regarding shareholder relations, accrued dividends, changes in shareholders' banking details, the transfer of inheritance rights and other matters.

Dividend policy

Shareholders' rights to dividends and the procedure for the payment thereof are stipulated by the Bank's Charter and Corporate Governance Code approved by General Shareholder Meetings.

The Board of Directors approved the Bank's Dividend Policy in September 2012. Its main purpose is to establish a clear and transparent decision-making mechanism regarding dividend payments, including their size and the procedure and timelines for their payment.

Payment of dividends on common shares is subject to the Bank, registry system or the nominal holding accounting system having the correct shareholder information no later than 90 calendar days from the day after which the General Shareholder Meeting takes a decision regarding the payment of a dividend on the Bank's common shares.

If the Bank, registry system or the nominal holding accounting system do not have the shareholder's current information, dividends on the Bank's common shares are paid to an account for unclaimed funds opened in the Central Securities Depository accounting system within five business days after the expiration of 90 calendar days from the day after which the General Shareholder Meeting takes a decision regarding the payment of a dividend on the Bank's common shares.

Total dividend payments for previous financial years are as follows*.

(KZT bln)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Preferred shares	None trading							0.338	2.61	1.8
Common shares	276.85	138.64	211.57	200.76	126.71	69.38	-	-	34.26	18.55
TOTAL	**276.85**	138.64	211.57	200.76	126.71	69.38	-	0.338	36.87	20.35

* Information presented on an unconsolidated basis.

Awareness and training of members of the Board of Directors and Management Board

In 2023, the Board Book containing basic information about the history and current positions of the Bank and Halyk Group, an organisational chart of the Bank and a director's responsibilities was updated for new members of the Board of Directors.

Members of the Board of Directors are also given information about the main changes in banking laws.

In 2023, seminars and training sessions were held for members of the Bank's Board of Directors and Management Board covering strategic development, change management and IT.

The Bank intends to further develop and improve the knowledge and qualifications of members of the Board of Directors.

Risk management and internal control

Roles and responsibilities

Risk management and internal control functions are distributed within the Bank as follows.

- The Board of Directors carries out strategic governance on internal control and risk management, and approves and periodically revises its policies. The working body of the Board of Directors for risk management and internal control is the Audit Committee.
- The Board of Directors also considers major transactions of the Bank, transactions where the Bank has an interest, and related-party transactions, including where there is an absence of preferential conditions.
- The Management Board is responsible for the implementation of risk management policies. The Bank has the following key committees that carry out various risk management and control functions: Credit Committee of the Head Office, Credit Committee of the Branch Network, Retail Credit Committee, Bad Loans Committee, Committee for Managing Assets and Liabilities, and Risk Committee.
- The Bank's structural units are directly responsible for identifying and assessing inherent risks, the adequacy of controls and business continuity.
- Independent risk management and compliance services are responsible for organising the risk management system, which ensures the identification, assessment, control and monitoring of credit, operational, market, compliance and liquidity risks. The risk management function is headed by the chief risk officer and the compliance function is headed by the chief compliance controller.
- The internal audit service performs independent and objective evaluations of the risk management, internal control and corporate governance systems.

The Bank acknowledges that it is impossible to fully eliminate the risks inherent in its banking activities. However, the Bank is confident that its risk management system is capable of significantly minimising them.

Compliance risk management system

The Bank has developed an effective compliance risk management system, which ensures:

- The effective functioning of the Bank and compliance of its activities with its strategy, risk profile and risk appetite
- The existence of a compliance risk management system that corresponds to the current market situation, as well as the strategy, size and complexity of the Bank's operations
- Compliance of the activities of the Bank and each of its employees with Kazakh laws, including the regulatory legal acts of an authorised body, internal documents regulating the procedure for the provision of services, the applicable legislation of foreign states, as well as international standards concerning compliance, including documents of the Basel Committee on banking supervision, FATF and the Wolfsberg AML/CFT principles
- A minimal risk of negative consequences associated with losses/damages due to a failure by the Bank and its employees to comply with the requirements of Kazakh laws, including the regulatory legal acts of an authorised body, the Bank's internal documents regulating the procedure for the provision of services by the Bank and operations on the financial market, as well as the legislation of foreign countries that affect the Bank's activities
- A minimal risk of negative consequences associated with the imposition of sanctions against the Bank by suspending or revoking its licence to conduct all or certain banking transactions, sanctions in the form of the imposition or levying of a fine, or the imposition of limited enforcement measures by an authorised body
- The establishment of a unified compliance risk management system at the Bank
- The conduct of business in compliance with Halyk Group's business ethics and standards

'Three lines of defence' risk management system

Risk management at the Bank is based on the 'three lines of defence' system. This integrated approach to building a compliance risk management system delineates roles and authority among structural units to take measures aimed at minimising risks that are inherent in the Bank's operations.

The first line of defence comprises the Bank's employees, including subordinate functions; the second line of defence is the Compliance Service; and the third line of defence is the internal audit function.

- The *first line of defence* is the controls developed to ensure correct day-to-day operations by the Bank's various structural units. The controls are developed by the structural units and are an integral part of business and other processes. Clearly delineated controls help to ensure sufficient risk mitigation and compliance with the laws of Kazakhstan, internal regulations, internal documents, as well as the laws of other countries that influence the Bank's operations. The units themselves manage and monitor the controls, enabling them to independently detect risks, weaknesses in business processes and possible unforeseen events, and to take corrective action
- The *second line of defence* is compliance control by the Compliance Service.
- The Compliance Service arranges for procedures to comply with the requirements of the civil, tax and banking laws of Kazakhstan; the laws of Kazakhstan on the state regulation, control and supervision of the financial market and financial organisations; the laws of Kazakhstan governing currency regulation, currency control, payments and payment systems, the provision of pensions, the securities market, accounting and financial reporting, credit bureaus and the formation of credit histories, collection activities, mandatory deposit guarantees, AML/CFT efforts and joint-stock companies; the laws of foreign states that influence the Bank's activities; as well as the Bank's internal documents regulating the procedure for the provision of services by the Bank and transactions on the financial market. It provides comprehensive and reliable information to the Board of Directors, Risk Committee of the Board of Directors and the Management Board about the existence of a compliance risk.

  The Bank's internal documents delegate separate functions of compliance risk management, if necessary, to the Bank's other structural units, provided there is no conflict of interest.
- The *third line of defence* consists of an independent assessment of the quality and effectiveness of compliance risk management by the internal audit function (see the Internal Audit section).

  While acknowledging that it is impossible to exclude risks inherent in banking operations completely, the Bank is confident that its risk management system enables them to be minimised significantly.

System for monitoring the Bank's compliance with international and country-specific economic sanctions

The Bank complies with international and national economic sanctions and adheres to the principles of transparency, fairness and integration into the global community in its activities.

The Bank is required to comply with international and country-specific economic sanctions due to:

1. Kazakhstan's membership in the United Nations, which obliges the Bank to comply with the sanctions and embargoes established by the resolutions of the UN Security Council
2. The listing of the Bank's securities on the London Stock Exchange
3. The existence of contractual relations with foreign counterparties, including nostro correspondent relations with banks in the US, EU, UK and other countries
4. The extraterritorial nature of the imposition of international and country-specific economic sanctions

To minimise possible compliance risks, the Compliance Service, along with other concerned units at the Bank, analyses customers and their transactions for compliance with applicable sanctions requirements. When analysing the transactions of the Bank's clients and counterparties to determine whether there is a sanctions element or a scheme for evading/circumventing international economic sanctions, the Bank takes the following measures:

1. Checks all the parties to the transaction (beneficial owners, founders/shareholders and authorised persons) based on the sanctions lists of applicable jurisdictions, including, but not limited to, the US OFAC, EU, UK, UN, local lists and so on, if necessary
2. Verifies whether there is any negative information about all the parties to the transaction in reliable information sources, including specialised databases used by the Bank (World-Check and others)
3. Checks the parties to the transaction for country-specific (geographical) risks
4. Conducts inspections of goods/services for compliance with applicable sanctions requirements, including the manufacturers of goods, end users of the goods/services and other parties, if any.

To avoid the risk of the Bank failing to comply with international or country-specific economic sanctions when serving clients, the Bank has the right to refuse or terminate a client's transaction, payment or transfer, including a bank that has a Loro correspondent account with the Bank, at any stage and in any currency if such refusal or termination is due to:

1. The effect of international or country-specific economic sanctions
2. The effect of international and country-specific economic sanctions that restrict the export/import of goods, technologies, equipment, natural resources or other items
3. Actions that aim to evade international economic sanctions

Considering the complex geopolitical situation around the world and the ever-changing sanctions environment, the Bank regularly monitors information/announcements about international economic sanctions using official public sources based on which (if necessary) it revises/updates its procedures to minimise the risk of violating/bypassing sanctions.

Internal audit

The Bank's internal audit department acts as the third line of defence.

To ensure that the internal audit is independent and objective, the internal audit department is functionally subordinate and accountable to the Bank's Board of Directors. Working interaction with members of the Board of Directors is carried out via the Audit Committee and directly. The head of internal audit oversees the day-to-day operations of the internal audit department.

In accordance with the International Standards for the Professional Practice of Internal Auditing, the internal audit function's mission is to maintain and increase the value of Halyk Group through independent audits and consultations using a risk-based approach and providing recommendations to improve the Group's operations.

The internal audit function is guided in its work by legislative norms, regulatory requirements, the Standards and the Bank's internal regulatory documents.

The Regulation on the Internal Audit Department, which was approved by the Board of Directors, states that internal audit employees may conduct audits of any structural unit or subsidiary of the Bank on a risk-oriented basis and have unlimited access to relevant documents, information, premises and assets during the performance of such engagements.

The Board of Directors approves the annual work plan and budget of the internal audit department. The internal audit department's reports are provided to the boards of branches, the Management Board, the Audit Committee and the Bank's Board of Directors. Current issues related to the activities of the internal audit department are promptly discussed with the chairperson of the Management Board and the chairman of the Board of Directors. The internal audit department on a quarterly basis provides the Board of Directors with a progress report on how the Bank's structural units and subsidiaries are implementing measures based on the results of the department's audit engagements.

By conducting audits and consultations, where applicable, the internal audit department reviews the Bank's compliance with ESG requirements and makes the appropriate recommendations for improvement, if necessary. Internal audit employees undergo regular training on ESG and apply the knowledge they gain when performing audit engagements.

The activities of the Bank's internal audit department comply with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for Internal Auditors of the Institute of Internal Auditors. An independent external auditor confirmed such compliance twice in 2017 and 2022. The internal audit department provides ongoing methodological assistance to bring the internal audit services of the Bank's subsidiaries into compliance with the abovementioned Standards and Code of Ethics. Several internal audit employees have international professional certifications to conduct internal, IT and information security audits.

Code of Ethics and Business Conduct

Compliance with the principles of business ethics and responsible behaviour are the key components of corporate culture at any company. Each employee of the Bank takes decisions on a daily basis that may have financial and reputational consequences for the Bank and could also affect people and society.

As part of the short-term plan for the implementation of the sustainable development principles and goals, the Bank drafted and approved the Code of Ethics and Business Conduct (the Code of Ethics), which replaced the Bank's previous Rules of Corporate Ethics. The Code of Ethics was drafted in accordance with the generally recognised principles and norms of international law, the laws of Kazakhstan, corporate governance standards, the Charter, the Corporate Governance Code and other internal documents of the Bank, as well as best practices. The objectives of the Code of Ethics are:

1. Enshrine the mission, values, principles and standards of business ethics and behaviour that guide the Bank's officials and employees in their activities
2. Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and decency
3. Increase and maintain trust in the Bank from shareholders, clients, business partners, the public authorities, the public and other stakeholders, and strengthen its reputation as an open and honest player on the financial market
4. Assist in interacting effectively with stakeholders
5. Prevent violations of the current laws of Kazakhstan by the Bank's employees

The Code of Ethics provides an updated understanding of the Bank's values and principles, as well as general rules of ethics that everyone who represents the Bank must understand and follow. The Code of Ethics contains mandatory standards of ethics and business conduct, and serves as a guide for each official and employee to take the correct decision, regardless of position, whether working at the Bank full-time or part-time, as well as for third parties hired for paid contractual services.

All the Bank's documents, including those that formalise relations with clients, business partners, government agencies, competitors and employees, are drafted and approved taking into account the provisions of the Code of Ethics. Together, these documents provide a clearly articulated overall framework for ensuring compliance with business ethics requirements and are essential components of the Bank's business ethics framework.

The Code of Ethics is a guide for taking the right decisions and a standard for conducting open and honest business, as well as engaging in responsible, professional and ethical behaviour.

Bank executives seek to set a personal example of commitment to the Bank. They allocate time to create a talent pool for the Bank, consult and coach, and bring employees together in a team united by a common mission, values and principles.

Each employee is obliged to maintain the Bank's image and business reputation at a high level.

In cases where the ethical standards stipulated by the Code of Ethics are higher than the standards defined by business practice and applicable law, the Bank adheres to the standards of the Code of Ethics.

Nomination and contracting of directors (general information on procedures)

When nominated, directors are subject to approval by the regulator in accordance with its rules governing the issuance of consent to the appointment (election) of executives of financial organisations, branches of non-resident banks in Kazakhstan, branches of non-resident insurance (reinsurance) organisations in Kazakhstan, branches of non-resident insurance brokers in Kazakhstan, banking and insurance holdings, and the Insurance Payment Guarantee Fund. These include requirements for executives of branches of non-resident banks in Kazakhstan, branches of non-resident insurance (reinsurance) organisations in Kazakhstan and branches of non-resident insurance brokers in Kazakhstan, criteria concerning the lack of an impeccable business reputation, and the list of documents required to receive approval.

Contracts are concluded with directors in accordance with the Bank's Policy on Management Personnel Remunerations and Reimbursements and Creating an Annual Performance Results Bonus Awards Reserve.

The chairman of the Board of Directors takes decisions on payments and individual amounts of directors' remunerations (apart from the chairman of the Board of Directors and chairperson of the Management Board) based on recommendations of the Nomination and Remuneration Committee.

On behalf of the Bank, the chairperson of the Management Board concludes contracts with directors and sets the individual amounts, frequency and conditions for paying remuneration and withholding respective taxes in accordance with Kazakh law (apart from that of the chairperson of the Management Board).

Insurance of fiduciary liability

The Board of Directors and Management Board understand the risks arising from incorrect or mistaken management decisions or actions.

To safeguard shareholders from potential damage from such events, the Bank insures the liability of its directors and officers.

Social Report

Halyk

In 2023, the Bank provided over KZT4.5 billion in sponsorship and charitable assistance. Of this, KZT2 billion was allocated to the Halyk Charity Fund, more than KZT1.5 billion was spent on projects as part of the 100 Good Deeds campaign and over KZT905 million was provided for other sponsorship and charitable projects.

In addition, Halyk Bank allocated KZT385 million for sport in Kazakhstan and KZT431 million for cultural projects. The Bank also actively supports the social sector, including in times of emergency.

Supporting sport in Kazakhstan

Free public ice skating

In January, Halyk Bank gave more than 53,000 residents and guests of Kazakhstan the opportunity to go ice skating for free in 25 cities and regions of the country.

Astana Half Marathon

In 2023, Halyk Bank became the general sponsor of one of the country's largest competitions: the Astana Half Marathon. The event was organised by the "Courage To Be First" corporate foundation.

More than 6,000 sport and healthy lifestyle enthusiasts from several dozen countries took part in the Astana Half Marathon 2023, where they ran races of 21.1 and 10 kilometres, as well as took part in a 10-kilometre Nordic walking race and a 21-kilometre Ekiden group relay race.

The event marked a memorable and successful step in the development of sports in Kazakhstan. In keeping with tradition, around 100 Halyk employees from different cities and regions of the country took part in the race through the capital.

Halyk Bank provided sponsorship of KZT30 million for the event.

People's League

From 2005 to 2019, Halyk Bank and the National Basketball Federation of Kazakhstan had great success in implementing the People's League social project among foster children at orphanages and boarding schools that the Bank sponsors throughout Kazakhstan.

Over the 14 years, Halyk Bank funded basketball lessons for children from orphanages and boarding schools and provided them with the best regional coaches, training and kits, as well as sports equipment as part of the People's League project.

In 2020, the project had to be suspended temporarily because of the pandemic.

In 2023, Halyk Bank decided to resume the People's League.

The project involved foster children from 16 orphanages in 16 regions of the country.

Since 2005, Halyk Bank has spent almost KZT500 million on the project, including KZT53 million in 2023. More than 3,000 children from orphanages and boarding schools have competed in the People's League.

Cup of Hope

Each year, the People's League project culminates with the Cup of Hope championship. The league's teams competed at the final tournament in Almaty for the title of the best team in basketball. In 2023, 252 children from orphanages in 16 regions of the country took part in the Cup of Hope.

Table Tennis Federation

On 24 September 2023, the Halyk Bank Open table tennis tournament took place in Astana. More than 100 athletes took part in the tournament, including masters of sports, as well as winners and runners-up from other tournaments. The Bank provided sponsorship of KZT20 million for the event.

Halyk Arena

In 2023, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. The Halyk Arena Race 2023, free public skating and other events were held with the Bank's sponsorship in 2023.

Kazakhstan Gymnastics Federation

The Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation in 2023. These funds enabled athletes to participate in the World Artistic Gymnastics Championships (bronze medal), Asian Games (three silver and three bronze) and Asian Championships (five bronze, five silver and one gold).

Supporting culture and the arts

Abay State Academic Opera and Ballet Theatre

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. The total sponsorship amount was KZT50 million in 2023.

'Summer Music in Your Favourite City' Festival

As part of the 100 Good Deeds campaign, the two-day open-air festival "Summer Music in Your Favourite City" was held in Aktobe, Semey, Almaty and Aktau in August and September 2023. The event was sponsored by Halyk, which provided KZT131 million in support for the event.

Voice of Asia: Reviving a Legend

As part of its efforts to further develop culture, Halyk signed a one-off sponsorship agreement with Tan Media Group to organise and hold the Voice of Asia (Asia Dauysy) international musical festival. This collaboration enabled people to once again hear the Voice of Asia at the Medeu high-mountain skating rink 19 years later.

On 28-30 July, such prominent performers as Bibigul Tulegenova, Roza Rymbaeva, Moldanazar, V$XV PRiNCE and Miras Zhugunusov, the groups Irina Kairatovna and Black Eyed Peas, and many others performed on stage.

The festival was attended by more than 9,000 people. The sponsorship budget was KZT300 million.

Social projects

Free gas connections in Almaty and Astana

As part of the 100 Good Deeds campaign dedicated to Halyk Bank's 100th anniversary, the Bank used its own funds to connect 200 homes in Almaty and Astana to the gas network. Gas was supplied to the homes of socially vulnerable segments of the population based on lists provided by local administrations.

This project was implemented throughout 2023. The total sponsorship amount was KZT200 million.

Karyzsyz Kogam

In April 2023, the Kazakh political party Amanat and Halyk Bank announced the launch of the Karyzsyz Kogam project.

During the first stage, lessons on the basics of financial literacy were provided to residents from eight regions of Kazakhstan: Aktobe, Almaty, Turkestan, North Kazakhstan, West Kazakhstan, Zhambyl, Atyrau and Mangistau. Around 100 financial specialists taught people how to effectively manage their finances, optimise their expenses and income, and protect themselves against fraudsters.

More than 60,000 residents of Kazakhstan attended the lessons. The total sponsorship amount was KZT500 million.

Ayala Charity Fund

Halyk Bank has been supporting the Ayala Charity Fund since 2009. The fund works to help children born with various health issues.

In 2023, the Bank provided support totalling KZT26 million to purchase medical equipment to alleviate visual impairment in newborns with retinopathy, specifically the 3nethra neo retinal camera, and to train ophthalmologists on how to work with this device.

Reuse. Recycle. Reduce

A presentation of the "Reuse. Recycle. Reduce" sustainable fashion and art campaign featuring Kazakh artists and designers was held at Halyk Alañy (People's Square) in the run-up to World Environment Day (5 June). The aim of the event was to raise awareness about environmental issues and support initiatives to protect it.

Incidentally, the People's Square park, where the event was organised, was built by Halyk Bank. Halyk employees are directly involved in looking after and monitoring the condition of the park. The Bank is implementing similar projects in all countries where it operates: Kyrgyzstan, Uzbekistan and Georgia.

Victory Marathon

Each year, the Bank supports World War II veterans. In 2023, the Bank provided financial assistance to 84 WWII veterans totalling KZT8.4 million, of which each veteran received KZT100,000.

Education

Yerkin Soz Kazakh media competition

In 2023, Halyk Bank continued to support the Yerkin Soz Kazakh media competition, which aims to improve the professional skills of financial journalists. The budget for 2023 amounted to KZT5 million.

Opening of the Halyk Academy laboratory and co-working area

In December 2023, the Halyk Academy multifunctional laboratory and co-working area, a joint project of Halyk and the country's leading IT universities, opened at Satbayev University. The new academy will enable the university's students to not only make use of the latest technologies and opportunities to study IT, but to also attend lectures given by specialists from Halyk's IT departments and have the possibility of subsequent internship at the Bank.

Halyk previously donated such laboratories to Kazakh-British Technical University, International IT University and SDU University.

Road to School

Each year, Halyk supports the national Road to School campaign, which it initiated with the support of the Kazakh Ministry of Education and Science, education departments and local executive authorities. In the run-up to the new school year in 2023, more than 2,500 schoolchildren from low-income and large families across the country received school bags with school supplies as a gift from Halyk. The total sponsorship amount was KZT57 million.

Image projects

Women in Business Forum

The Bank has been actively supporting entrepreneurial women for several years, which has led to its sponsorship of the Women in Business forum, organised by the Atameken Council of Business Women in Almaty. The total sponsorship amount was KZT6.5 million in 2023.

ULTTYQ ÓNIM 2022 Exhibition of Kazakh Manufacturers

As part of its cooperation with the Damu Fund, Halyk Bank sponsored the ULTTYQ ÓNIM 2022 exhibition of Kazakh manufacturers, which the fund organised. This gave the Bank's management the opportunity to hold its own session with entrepreneurs in Almaty. The total sponsorship amount was KZT15 million.

Digital Bridge 2023 Forum

In October, the prominent Digital Bridge 2023 Forum was held, and the president, major companies and international speakers took part. In an effort to develop the domestic IT industry and promote digital transformation, the Bank provided KZT30 million in sponsorship for the forum.

Projects implemented through the Halyk Charity Fund

Since it was established in 2016, the Halyk Charity Fund has focused primarily on developing and supporting social initiatives, encouraging projects in sport, education and culture, and providing assistance to the public during emergencies.

The tragic events in Kazakhstan of January 2022 and the unstable geopolitical situation in neighbouring states continued to place a tremendous burden on the country's social protection system.

In 2023, the fund continued to focus on providing social assistance to the country and the population by supporting the proposals and initiatives of President Kassym-Jomart Tokayev.

In 2023, the Fund used more than KZT2 billion from the Bank to implement the following projects:

1. Pledging KZT1.494 billion for financing the construction of social housing in Astana
2. Annual assistance of KZT124.2 million to the SOS Children's Villages of Kazakhstan Fund, as well as KZT22.6 million to support the Arystan lyceum
3. Since the beginning of 2023, the Halyk Foundation has distributed 3,000 food baskets totalling KZT93.3 million to needy families in the city of Zhanaozen and the Almaty region
4. Installation of a low-power desalination plant in Zhanaozen at a cost of KZT23 million
5. Construction of a children's recreation area in Zhanaozen for KZT402.9 million

HALYK BANK’S HR SYSTEM

The Bank’s human resources (HR) system is governed by the Kazakh Labour Code, Tax Code, Law on Banks and Banking Activities and other regulatory acts.

The main objectives of the Bank’s HR policy are to:

1. Observe the principles of legality, justice and equal opportunities in the Bank’s activities
2. Improve the organisational structure and HR planning
3. Adapt new employees and engage existing personnel
4. Train and develop employees and create a talent pool
5. Oversee productivity, employee incentivisation and salaries
6. Provide social support for employees
7. Foster a positive corporate culture

The Bank’s HR policy complies with Halyk Group’s Development Strategy, the organisational structure and risk profile of the Bank, the results achieved and Kazakh legislation.

Halyk Bank’s Code of Ethics and Business Conduct (“the Code of Ethics”) regulates interpersonal relations among employees and officials at the Bank, reflecting its values, mission and culture, but also enshrines the Bank’s moral position in joint activities with all concerned parties, such as shareholders, business partners, customers, government agencies, competitors and, ultimately, society as a whole (https://halykbank.kz/en/about-bank/korporativnoe-upravlenie).

The Code of Ethics enshrines the following principles:

1. Honesty
2. Fairness
3. Openness
4. Protection
5. Preventing conflicts of interest
6. Responsibility
7. Combating fraud and the abuse of authority
8. Combating corruption
9. Exercising caution and accuracy in maintaining and storing documentation and reporting

The Bank’s headcount, 2022-23

Business area	2022	2023	Difference 2023/2022	
Branches	9,544	9,525	-0.2%	-20
Head office	3,330	3,557	6.8%	227
TOTAL	**12,874**	**13,082**	**1.6%**	**208**

To successfully implement the Bank's stated goals, the Bank's structure and headcount are regularly reviewed. In 2023, certain divisions were also optimised and new ones were created.

The Bank continues to expand the range of self-service processes available to staff in terms of employment-related activities, as well as to increase the scope of management reporting regarding personnel.

Candidate selection

Human capital is the primary competitive advantage for any financial organisation, so it is crucial for us to maintain a high level of stability and staffing. The Bank uses different recruiting and selection algorithms to attract talent based on the uniqueness and strategic value of its various positions. However, regardless of the personnel group, the system used to recruit and select staff is based on an objective assessment of their professional skills and expertise. In 2023, the Bank's Head Office alone processed more than 1,510 recruitment applications and hired 833 new employees.

Considering that the global increase in competition among employers for professionals who specialise in high technologies is a major challenge, it is paramount for us to create a corporate culture of innovation and look for ways to improve HR management processes. In 2023, we set and achieved our goal of attracting no more than 40% of professionals (middle and senior positions) from the market, and filling 60% of vacancies with internal resources using the internal talent pool and a promising pool of students thanks to our HalykStart internship programme for IT specialties. We are also increasing cooperation with leading universities to expand the recruitment funnel and immerse potential young talent in the Halyk culture through the Halyk Academy. As of the start of 2023, the Bank had laboratories at Kazakh-British Technical University, International IT University and SDU University, and in the fourth quarter of 2023, it opened a laboratory at Satbayev University. In addition, we regularly take part in job fairs, including Digital Bridge.

In an effort to cultivate leadership and position itself as an organisation that is ready for innovation, the Bank held two successful Halyk OIY hackathons (internal and external), which encourage workers to be proactive in developing new ideas and technologies.

To improve the efficiency of recruitment, we fully revised the entire hiring process – from searching for candidates to their first working day – and introduced robotic process automation technologies. As a result, we were able to post vacancies and search for CVs based on the criteria given by the department in need on HH.kz without involving any recruiters, and have potential candidates consider job offers on WhatsApp. Details of this project were shared at the Digital Almaty 2024 Forum.

We pay special attention to onboarding for new employees and supplemented the adaptation process in 2023 with a motivational interview on a Telegram bot, which provides feedback in a short time.

Automating and optimising processes helps to free resources for other major projects. For example, a team of recruiters held hackathons in 2023 and also launched a socially significant career guidance project for children called Halyk Bolashagy. Children of Bank employees aged 10 to 16 years are the target audience of the pilot project. Specialists from the Bank's different businesses hold meetings (once a month with two groups of 45 children) to talk about specific aspects of their professions. This can help to choose a professional path and open a world of opportunities in the banking sector for them.

Staff development

Halyk Bank considers it essential to ensure a continuous learning process so that employees maintain their current knowledge. The main focuses of training are new products, updates to existing ones, customer service standards taking into account some of the special aspects of the sales/service channel and digital skills. The Bank also pays special attention to building standardised career paths and training programmes for front-line units.

Third parties were also engaged to train front-office employees, as teachers from the branch network continued to provide theoretical training at the following online schools:

- Consultant training school
- Professional cashier school
- Manager school

Combined with on-the-job training in sales channels under the guidance of an experienced mentor, this ensures a continuous inflow of candidates. More than 1,300 external individuals graduated from these schools in 2023. Of these, 1,130 people (84%) were hired by the Bank.

After being hired, new employees undergo training based on their development trajectories, which include distance-learning offerings and webinar meetings:

○ For employees of the SME unit

○ For employees of the retail banking unit

○ For employees of the transactions department

Halyk Bank continued to use an adaptation programme for new staff members, which not only enables new employees to quickly and effectively adapt to new work processes, but also helps them to integrate into the corporate culture easily.

In 2023, corporate training for employees of the Head Office emphasised the introduction of flexible project management methodology. Trainings sessions were conducted for product owners, Agile coaches and Chapter leads based on the Agile and Scrum methodologies. More than 120 Bank employees completed such training.

Customer service remains a priority area of development for front-office employees. Extensive training on service and correcting common errors was conducted for around 1,800 cashiers. In addition, cashiers underwent training on skills for managing difficult situations.

The theme of customer service encompassed all managers and key employees of the Bank's sales channels, with more than 750 people completing an in-person training course titled "DNA of Service. Emotions in Customer Relations".

The Bank developed and held a comprehensive training programme for employees of the SME unit of the branch network. This included a mobile marathon that aimed to improve the performance results of small business employees, and a face-to-face training session titled 'Reboot. Emphasis on Efficiency', which over 350 employees of small and medium-sized businesses attended.

On two occasions, business coaches visited all 25 branches of the Bank to provide training. This not only improved the skills and knowledge of the trainees, but also served as a useful motivational and team-building tool for employees of the branch network.

Employee mental health has become one of the most important topics of discussion in all businesses, including banking. To this end, we held mental health training and morning meditation sessions for employees of the Head Office. More than 500 Bank employees completed mental health training.

Two training programmes were developed and conducted for employees of the contact centre department, which aimed to improve the level of customer service and telephone sales skills. More than 400 employees from the department completed this training.

Employees of subsidiaries also underwent corporate training. The Bank's business coaches conducted training for employees and managers of Halyk Bank Kyrgyzstan, Halyk Leasing and Halyk Insurance Company.

Developing managers' skills and tapping into their leadership potential remains a priority in the current strategic period. Along with the Nazarbayev University Graduate School of Business, we continued training managers as part of a programme that covered strategy and digital transformation, digital marketing, FinTech and banking, change management, leadership competencies and emotional intelligence.

In 2023, 44 managers of the Halyk Group underwent training as part of this programme, including 11 managers from subsidiaries, and another 45 managers began training, which will be completed in 2024.

The HR department and the retail business unit continued the Academy of Leaders project, whose programme was thoroughly transformed and included two levels of training in 2023: basic and advanced. The basic level of training contained modules on leadership, customer service, effective communication, personal transformation and change management. The advanced level of the programme included such topics as mindful leadership, meetings, emotional intelligence, combating procrastination and mental health.

Around 200 people graduated from the Academy of Leaders and formed a talent pool for the retail unit of the branch network. All the Academy of Leaders graduates received additional training from external coach Andrey Burlutsky on how to remain resilient in turbulent times.

The Bank continues to develop the members of its talent pool. In 2023, the training programme for members of the talent pool was held in a game-based format, as more than 100 succession candidates completed the following two business games:

○ The Leader – a training aid to develop leadership skills

○ The Boss – a training aid to develop managerial skills

In 2023, external service providers were brought in to hold 20 training events in a corporate format (in-person/webinar), which over 1,000 employees from the Head Office and branches attended. Intensive ESG training was also conducted for employees of the Bank's Head Office who are involved in writing the sustainability report and for directors of the branch network.

Individual training was provided for 264 employees of the Bank, which devoted considerable attention to developing specialists with digital skills who have been trained in DevOps, iOS development, SQL and Software Architect. As in 2022, employees tended to prefer remote access to educational technologies and resources on the platforms Coursera, Slurm, Skillbox, SkillFactory, Data Boom, Datanomix.pro and Yandex Practicum.

The Bank provides opportunities to exchange knowledge and skills in professional communities through conferences, reference visits and hackathons. In 2023, more than 40 people took part in professional conferences and forums, while 17 executives paid reference visits to market leaders in the UAE and Singapore.

Mandatory training (health and safety, industrial and electrical safety as well as Basics of Fire Safety) was completed by 124 of the Bank's employees. Employees of the compliance control department took mandatory AML/CFT courses at a specialised training centre.

Two Annual meeting of branch directors were held in Uzbekistan and Georgia, similar events were organised for the heads of the SME and RB units, and 10 business-specific seminars and meetings were held for managers and employees of the branch network.

With co-financing provided by the Bank, 36 employees of the internal audit department and collateral relations department received professional certifications and passed exams.

As part of a comprehensive development programme for branch directors, as well as to share experience and study the work specifics of directors and business units from other regions, cluster training was held for all directors of the branch network. A total of 31 branch employees completed internal banking training.

Since 2022, we have been assessing the managerial skills of Halyk Group executives through the OPQ questionnaire from SHL. All the Bank's executives underwent an initial assessment, and in 2023, 42 executives from subsidiaries (chief executives and their deputies) completed the questionnaire. This assessment gave executives the opportunity to demonstrate their strengths, which they can use to achieve better business results, as well as their expertise on how to further develop the Bank's business.

We continue to increase the number of workers who undergo distance learning and testing. In 2023, 498,008 units were scheduled, up 54% from 2022.

We use the distance learning system (DLS) to conduct mass training that encompasses more than 10,000 people on such topics as the Code of Ethics and Business Conduct, Anti-Corruption Policy, Personal Safety of Sales Channel Employees, Fundamentals of Information Security, Internal Control and Combating Financial Fraud, Environmental Policy etc.

The number of people who use the DLS mobile application is increasing, which provides all the Bank's employees with the opportunity to take courses and read books on self-development, personal effectiveness, psychology and business 24/7. The Bank's electronic library has been replenished with publications in the Kazakh language. As of the end of 2023, the mobile application had more than 4,000 active users.

Today, the DLS not only offers distance learning and testing for the Bank's employees, but also for its subsidiaries: Tenge Bank, Halyk-Leasing, Halyk Finance, Halyk Aktiv and KUSA Halyk.

The Bank implemented an employee self-development programme by announcing books from a list recommended by the SKOLKOVO School of Management each month.

The Bank devotes considerable attention to supporting, developing and improving the status of the Kazakh language in the business environment. In 2023, more than 30% of distance learning courses were translated into Kazakh. All Bank employees were tested for their knowledge of the Kazakh language, with more than 10,000 workers receiving a passing grade. Based on the testing results, 2,500 employees were offered language training at the Bank's expense.

In an effort to further develop language practices, the Head Office runs a Kazakh language conversation club, which has become not just a platform for communication, but a community of like-minded people and ambassadors of the Kazakh language.

Staff motivation and loyalty

As a leading employer in the financial sector, Halyk continuously strives to incorporate global practices and proven modern techniques into its business management and human resource development. While focusing on coordinated teamwork, diligence and the efficiency of each employee, the Bank organises a wide range of initiatives that aim to motivate staff and bolster their commitment to corporate values. The Bank annually participates in studies on remuneration in the banking market to monitor current trends and establish a competitive and fair remuneration system that directly affects the recruitment, retention and productivity of employees. In 2023, the Bank undertook significant financial measures to support employees, such as the regular indexation of official salaries in March by an average of 12%, as well as the payment of an annual bonus and a bonus to mark Independence Day in Kazakhstan. For the second year in a row, employees were paid incentive-based bonuses from shareholder dividends on Halyk Bank common shares in two tranches (July and September) to recognise their loyalty, productive work and dedication to the job. The bonus for Bank specialists was two times higher than last year. The Bank continues to use a multifunctional well-being programme, which in 2023 was supplemented by the official opening of a corporate co-working area spanning 281 m2. Its main aim is to bring workers together for corporate meetings and work presentations in a relaxed atmosphere in order to develop talent and generate new ideas.

The Bank has also created Tribes: cross-functional teams of employees from the Bank's structural units united by a single goal to develop, introduce and launch a product or service for the Bank's customers. To enhance the appeal of participating in Tribes and motivate employees to quickly achieve results, principles have been developed to reward Tribe participants based on yearly results or the completion of a project, taking into account both the team result and the personal contribution of each employee.

As part of the well-being programme to strengthen loyalty, the Bank conducts an annual survey to study the degree of employee engagement. The survey results for 2021 and 2022 demonstrated a high level of involvement of the Bank's employees, which exceeded the projected figures by several percentage points. And 2023 was no exception: the survey results showed that we once again demonstrated substantial growth and exceeded the Bank's target by five percentage points.

In an effort to bolster the programme for recognising achievements and rewarding the best employees, the following measures were taken in 2023:

- The format for rewarding the best employees was revised, with the presentation of certificates, steles and the payment of bonuses in three categories and a festive award ceremony
- The results of the pilot project "Quarterly Recognition of the Bank's Best Employees" were also presented to increase the coverage of effective and key employees

The programme of achievements for Halyk Group managers was expanded. Awards were presented in six categories for the best directors of branches by business, the best director of the Head Office and the top two managers of subsidiaries.

The Bank's employees also received state and public awards, including the Tengege 30 medal to mark the 30-year anniversary of the Day of the Tenge National Currency, the medal "For Excellence at Work", the medal "Best Financier" and letters of gratitude from the National Bank of Kazakhstan and the Agency for Regulation and Development of the Financial Market.

A key component of Halyk's corporate culture is not only the professional development of its employees, but also their physical health. Each year, we organise numerous sporting events. One of their key goals is to promote the overall health and well-being of employees, as well as strengthen corporate culture. The Bank also devotes significant attention to organising corporate holidays and events. We realise that such events play an important role in strengthening cohesion and creating an atmosphere of joy and unity. Each year, we arrange various forms of entertainment, hold competitions and organise concerts, team building events and much more. We are committed to creating an environment for our employees where everyone feels like a valuable and important member of the team. These types of events are an essential tool for achieving this goal.

The Bank and its employees are actively involved in socially significant events and projects:

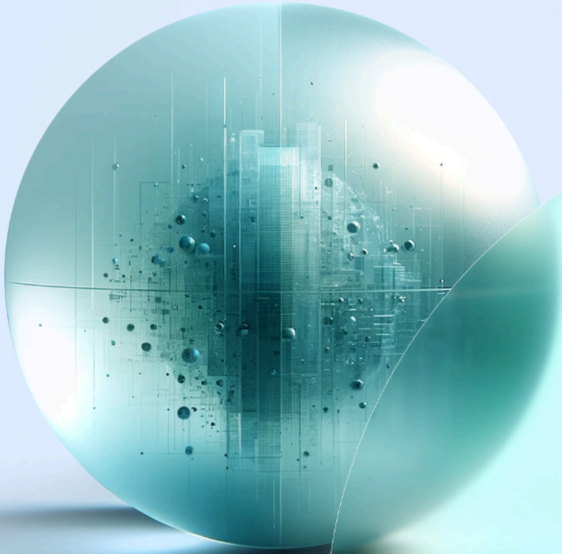
- Letters of gratitude were prepared for holidays throughout the year
- Charitable events were held throughout the year and assistance was provided to the Bank's retirees for the 9 May and 1 October holidays as well as anniversaries
- The Bank's employees visited orphanages (in January, June and September):
- The Bank organised charity events for the New Year's holidays, for which employees raised more than KZT4 million and provided assistance to:

1. Ayala Social Services Centre – 110 children with cerebral palsy
2. Single pensioners (based on lists provided by the Almaty administration) – 50 pensioners
3. Low-income families (based on lists provided by the Almaty administration) – 50 children
4. Children from the Kovcheg Orphanage, Nur Charitable Family Orphanage and Barakat Family-Type Orphanage
5. Children from the oncology department of the Paediatrics and Paediatric Surgery Scientific Centre in Almaty

As part of the action plan for embedding sustainable development principles and goals in the Bank's work for 2022-24, the following work was performed by HR department:

- A tree planting campaign, during which employees from branches and the Head Office planted 100 apple trees in the Park of the First President to symbolically mark the Bank's 100th anniversary
- The Bank's offices were cleaned by employees in February and September to celebrate World Cleanup Day
- Cleanup days were also organised at the Bank's branches and Head Office in September
- Environmental awareness training sessions were held for the heads of independent units and departments of the Head Office, and an online webinar was organised for regional employees

In addition, during the year of its centenary, the Bank focused on strengthening corporate values and awareness of its history. It organised events, including seminars, training sessions and competitions, to deeply immerse employees in the history of the Bank and its evolution. This approach not only enhanced employees' knowledge of the Bank, but also helped create a sense of pride and team unity, and inspire new achievements.



Responsibility Statement

Halyk

RESPONSIBILITY STATEMENT

We hereby confirm that, to the best of our knowledge:

- the consolidated financial statements in this annual report are prepared in accordance with International Financial Reporting Standards and give a true and fair view of the financial position, results, cash flow and changes in equity of Halyk Bank and its subsidiaries; and
- the annual report includes a fair review of the development and performance, and of the financial position, of Halyk Bank and its subsidiaries included in the consolidated financial statements and taken as a whole, as well as the principal risks and uncertainties that Halyk Bank faces.

Sustainability Report for 2023 will be published by the end of July 2024.

Umut Shayakhmetova

Chairperson of the Management Board

Outlook

OUTLOOK

For Kazakhstan, 2023 was the year of the 'new normal'. The overall situation stabilised, inflation declined to 9.8% and the economy grew. Banks adapted to life amid sanctions and certainly forewent certain transactions due to sanctions restrictions. Nevertheless, Halyk, which celebrated its centenary in 2023, once again demonstrated its stability, reliability and solidity and, earned greater trust from its customers as a result. Last year, we came a long way in terms of further developing our digital sales channels and ecosystem products. The year was also one of 100 good deeds, as Halyk implemented major projects throughout the country in education, culture, healthcare, the environment and social protection (providing gas to the homes of vulnerable social groups, building mini-football fields, providing financial literacy training for the rural population and holding the Asia Dauysy festival, among other initiatives). Our leadership remains solid: as of 1 January 2024, we had a market share of 29% by assets, 32.8% by net loans to customers, 30.5% by liabilities to customers and 30.0% by net income.

Last year also marked the midpoint of the new strategic development cycle for Halyk Group, covering 2022-24. While the Group approached the new strategy with different assumptions and market expectations, we are staying the course and continuing to progress with our key priorities. Each year, we reaffirm the mission we have chosen: "We create a territory of reliability, comfort and trust for our customers and partners". The Group's reliability and resilience remain our key strengths and we remain the first choice for our ever-growing customer base. In 2023, we had 10.2 million active retail customers and over 370,000 active large business and SME customers.

During this strategic cycle, the Bank has achieved the following results for its main goals:

Customer focus

All the solutions, products and services being introduced aim to meet the needs of the Bank's customers and provide them with the best possible service. The Bank is focusing on providing integrated services based on the 'one-stop shop' principle and increasing the loyalty and satisfaction of its customers.

In 2023, we introduced new tools for receiving enquiries and assessing customer satisfaction with the Bank's services. Halyk conducted research into market loyalty and gave customers a greater voice in determining priorities for the further development of our products and services. This had a positive effect on our key quality indicators: the CSI satisfaction index increased from 89% in 2022 to 92% in 2023, while the average monthly complaint ratio per 10,000 active customers decreased from 6.9 to 5.5.

Constant growth of the client base, as well as of MAU and DAU

The Bank has prioritised the development of mobile applications, which are used to deliver services better, more efficiently and faster. This should increase the number of both total customers and active ones who use the applications daily. The Bank is also focusing on expanding non-cash payments.

Results for 2023:

- Retail banking: We scaled up regular campaigns to retain and engage Halyk SuperApp clients. The number of MAU clients increased to 7.9 million in the year (up 2 million), and the MAU share of the Bank's active clients was 77%.
- Corporate banking: Steps were taken to increase customer activity on Onlinebank. The app functionality was enhanced with new digital products and services, and the customer journey was improved. MAU continued to grow: up 8% year-on-year (from 254,000 users to 274,000).

Ability to scale business solutions

Given its substantial network of subsidiaries, the Bank plans to develop IT solutions that will allow services at subsidiaries to be scaled quickly and with minimal reconfiguration.

In 2023, Tenge Business, an online business app, continued to develop in Uzbekistan, and had almost 1,500 active business users by the year-end. The Tenge 24 mobile app for retail customers was supplemented with new services: instant transfers from Uzbekistan to Kazakhstan and online currency conversion. Last year, the app's MAU soared to 188,000 users, up 170%.

A flexible, adaptive and innovative approach

All of our solutions developed must be flexible, universal and modern. The Bank aims to select the best IT and business solutions to provide the highest-quality service to its customers, including by developing ecosystem services that consider their investment and entertainment interests.

In 2023, real-time campaigns were launched as part of Data Factory, focusing intensively on developing IT solutions while enhancing system availability and service continuity.

In addition, Halyk implemented several major projects during the year:

- The Bank initiated a strategic partnership with the leading educational platform Kundelik, as part of which Halyk provides bonuses for good grades
- It began providing digital car loans in partnership with the country's seven largest car dealers in an effort to synergise large and retail businesses
- Halyk continues to develop ecosystem services: compared with 2022, the Kino.kz movie ticket purchase service increased its market share to 37%, ticket purchases through the Halyk Travel service rose by 20% and purchases on Halyk Marketplace grew by 170%
- The Bank is a leader on the financial market in terms of the number of government services it provides: in 2023, our customers used government services through the Halyk SuperApp more than 13 million times
- As part of its introduction of ESG principles, KPIs were identified in target areas (water consumption, energy, CO2 emissions and more), the public event "Reuse.Recycle.Reduce" was organized jointly with the UN, and ESG reporting formats were developed and introduced in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

For 2024, the Bank has set the equally ambitious goals of digitising its banking business and further promoting its ecosystem products:

- Halyk Bank is major partner for most corporates and one of the only full-service banks in Kazakhstan. To provide optimal service, the Bank continually enhances the customer experience and adds new functionality to the Onlinebank mobile app for corporate customers.
- The Halyk SuperApp digital private banking solution is also being continuously developed and updated with new services.
- Developing the acquiring business continues to be a key vector for the Bank.
- Given the potential of the Uzbek market, the Bank is actively investing resources and developing in this area.
- The Bank will also continue to enhance and actively promote the lifestyle ecosystem products Kino.kz (entertainment ticketing) and Halyk Travel (air, rail and bus ticketing).
- Halyk Invest, designed for remote brokerage account opening and remote trading, is expanding its functionality and improving the customer journey.
- The Halyk Marketplace is working to constantly expand the range of products on offer to continue meeting customer needs.
- The Bank is also implementing several other equally important tasks to provide high-quality service to customers and partners.

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

Halyk

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

Management is also responsible for:

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

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

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

Halyk

Individual assessment of the expected credit losses on loans to customers

As at 31 December 2023, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 5,949,942 million, which accounts for 61% of total gross loans. The related ECL comprised KZT 254,462 million.

The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group.

The appropriate identification of significant increase in credit risk or credit impairment event require considerable judgment on the basis of quantitative and qualitative information, which results in focused audit procedures.

Additionally, the measurement of ECL on individually significant credit-impaired loans is based on the estimation of future cash flows under different scenarios.

Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter.

Refer to Notes 4, 11 and 32 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.

We obtained an understanding of the loan origination. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.

For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events, external information and certain financial performance indicators had been identified on a timely manner.

On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as estimated future cash flows and the fair value of collateral.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Transition to IFRS 17

On 1 January 2023, the Group implemented IFRS 17, Insurance Contracts. As part of IFRS 17 implementation, the Group developed and implemented new complex methodologies, models and assumptions required by new standard and remeasured insurance contract liabilities. As described in Note 3 and 4b, the Group applied Modified Retrospective approach and Fair Value approach for contracts issued before 1 January 2022.

Due to complexity of methodology and models, we identified transition to IFRS 17 as a key audit matter.

Refer to Notes 3, 16 and 29 to the consolidated financial statements for the description of the Group's accounting policy and disclosures of insurance contract liabilities.

We obtained an understanding of the controls over calculation of insurance contract liabilities performed in accordance with IFRS 17 requirements and Group's methodology.

We have involved our actuary specialists for evaluation of methodology, models and assumptions in relation to IFRS 17, considered suitability of the transition approach applied and tested on a sample basis the accuracy of the underlying calculations.

We evaluated whether actuarial methodology, models and assumptions used to calculate the fulfillment cash flows, risk adjustment, contractual service margin, and (if applicable) loss component are functioning as intended, in line with requirements of IFRS 17 and the financial reporting framework as of transition date.

Other Information – Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Roman Sattarov

Engagement Partner
Qualified Auditor

Qualification certificate
MF-0000149
dated 31 May 2013

Daulet Kuatbekov

Acting General Director
Deloitte LLP

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

13 March 2024
Almaty, Republic of Kazakhstan

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

	Notes	31 December 2023	31 December 2022 (restated)*	1 January 2022 (restated)*
ASSETS				
Cash and cash equivalents	5	1,377,315	2,028,831	1,438,521
Obligatory reserves	6	244,866	259,544	194,931
Financial assets at fair value through profit or loss	7	589,362	449,931	387,988
Amounts due from credit institutions	8	171,754	135,655	602,125
Financial assets at fair value through other comprehensive income	9	2,425,902	2,109,269	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	10	725,343	1,019,089	1,288,178
Loans to customers	11, 37	9,284,872	7,857,902	5,871,826
Investment property	12	47,326	35,541	28,007
Commercial property	13	74,882	76,538	92,412
Current income tax assets	21	7,956	1,521	1,942
Deferred tax assets	21	351	273	250
Property and equipment and intangible assets	14	226,170	207,788	183,849
Insurance contract assets	16	10,289	4,094	3,317
Reinsurance contract assets		22,776	22,809	25,423
Other assets	17	173,662	162,394	134,542
Total assets before assets classified as held for sale		15,382,826	14,371,179	12,124,988
Assets classified as held for sale	15	111,542	23,923	45,412
TOTAL ASSETS		**15,494,368**	**14,395,102**	**12,170,400**

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	31 December 2023	31 December 2022 (restated)*	1 January 2022 (restated)*
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	18, 37	10,929,504	10,512,048	8,473,407
Amounts due to credit institutions	19	778,311	878,665	1,071,642
Financial liabilities at fair value through profit or loss	7	4,202	10,628	2,276
Debt securities issued	20, 37	653,393	462,817	499,812
Current income tax liability	21	946	12,358	11,539
Deferred tax liability	21	59,799	74,147	71,400
Provisions	24	11,695	13,773	13,193
Insurance contract liabilities	16	273,065	223,308	194,195
Reinsurance contract liabilities		5,321	1,711	3,535
Other liabilities	22	242,756	193,405	170,431
Total liabilities before liabilities directly attributable to assets held for sale		12,958,992	12,382,860	10,511,430
Liabilities directly attributable to assets held for sale	15	58,422	-	-
TOTAL LIABILITIES		**13,017,414**	**12,382,860**	**10,511,430**

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	31 December 2023	31 December 2022 (restated)*	1 January 2022 (restated)*
LIABILITIES AND EQUITY				
EQUITY				
Share capital	23	209,027	209,027	209,027
Share premium reserve		8,667	7,966	9,067
Treasury shares	23	(258,514)	(260,535)	(259,322)
Retained earnings and other reserves		2,517,764	2,055,775	1,700,190
Total equity attributable to owners of the Group		2,476,944	2,012,233	1,658,962
Non-controlling interest		10	9	8
TOTAL EQUITY		**2,476,954**	**2,012,242**	**1,658,970**
TOTAL LIABILITIES AND EQUITY		**15,494,368**	**14,395,102**	**12,170,400**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Interest income calculated using the effective interest method	25, 37	1,627,018	1,220,643
Other interest income	25	42,764	27,005
Interest expense	25, 37	(859,285)	(578,182)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	25	810,497	669,466
Expected credit loss expense	5, 8, 10, 11	(90,665)	(106,929)
NET INTEREST INCOME		**719,832**	**562,537**
Fee and commission income	26	200,060	180,066
Fee and commission expense	26	(99,704)	(96,099)
FEES AND COMMISSIONS, NET		**100,356**	**83,967**

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	27	72,594	(525)
Net realised loss from financial assets at fair value through other comprehensive income		(4,055)	(1,275)
Net foreign exchange gain	28	90,114	177,893
Insurance revenue	29	239,189	194,876
Share in profit of associate	37	13,593	9,708
Income on non-banking activities	31	23,582	25,554
Other expense		(34,884)	(2,170)
OTHER NON-INTEREST INCOME		**400,133**	**404,061**
Operating expenses	30	(216,888)	(193,018)
Reversal of/(loss from) impairment of non-financial assets		483	(1,044)
Reversal of impairment loss of property, plant and equipment	24	-	5,103
Recovery of other credit loss expense	24	1,563	78
Loss on disposal of subsidiaries	2	-	(19,242)
Loss from impairment of assets held for sales	15	(3,781)	-
Insurance service expense	29	(131,847)	(115,968)
Net reinsurance expense	29	(55,077)	(51,278)
NON-INTEREST EXPENSES		(405,547)	(375,369)
PROFIT FOR THE YEAR BEFORE TAX		814,774	675,196
INCOME TAX EXPENSE	**21**	**(121,338)**	**(105,718)**

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
NET INCOME		**693,436**	**569,478**
Attributable to:			
Non-controlling interest		1	1
Common shareholders		693,435	569,477
		693,436	569,478
EARNINGS PER SHARE (in Kazakhstani Tenge)			
Basic and diluted earnings per share	32	63.65	52.29

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

* Comparative information has been restated in accordance with Note 4b.
The accompanying notes are an integral part of these consolidated financial statements.

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

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

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	738,514	489,526
Attributable to:		
Non-controlling interest	1	1
Common shareholders	738,513	489,525
	738,514	**489,526**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

* Comparative information has been restated in accordance with Note 4b
The accompanying notes are an integral part of these consolidated financial statements.

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

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

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

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

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

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
1 January 2022	209,027	9,067	(259,322)	5,582	25,115	27,521	1,556,606	1,573,596	8	1,573,604
Effect on transition to IFRS 17 (Note 4b)	-	-	-	-	-	-	1,642	1,642	-	1,642
Effect of revaluation of financial assets measured at fair value through profit or loss (Note 4b)	-	-	-	-	-	-	83,724	83,724	-	83,724
1 January 2022 (as restated)	209,027	9,067	(259,322)	5,582	25,115	27,521	1,641,972	1,658,962	8	1,658,970
Net income	-	-	-	-	-	-	569,477	569,477	1	569,478
Other comprehensive income/ (loss)	-	-	-	6,160	(103,828)	17,716	-	(79,952)	-	(79,952)
Total comprehensive income/ (loss)	-	-	-	6,160	(103,828)	17,716	569,477	489,525	1	489,526
Treasury shares purchased (Note 23)	-	(1,101)	(6,044)	-	-	-	-	(7,145)	-	(7,145)
Treasury shares sold (Note 23)	-	-	4,831	-	-	-	-	4,831	-	4,831
Disposal of subsidiaries (Note 23)	-	-	-	-	64	(272)	4,609	4,401	-	4,401

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

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

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

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
Dividends – common shares (Note 23)	-	-	-	-	-	-	(138,341)	(138,341)	-	(138,341)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,656)	1,656	-	-	-
31 DECEMBER 2022	**209,027**	**7,966**	**(260,535)**	**11,742**	**(78,649)**	**43,309**	**2,079,373**	**2,012,233**	**9**	**2,012,242**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

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

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

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

	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	27,602	23,627
Interest received from cash and cash equivalents and amounts due from credit institutions	49,906	39,651
Interest received on financial assets at fair value through other comprehensive income	126,082	101,396
Interest received on debt securities at amortised cost, net of allowance for expected credit losses	76,747	100,212
Interest received from loans to customers	1,318,173	962,950
Interest paid on amounts due to customers	(713,167)	(463,821)
Interest paid on amounts due to credit institutions	(45,285)	(63,549)
Interest paid on debt securities issued	(32,542)	(38,247)
Fee and commission received	199,058	179,994
Fee and commission paid	(98,886)	(91,836)
Insurance revenue	266,536	155,760
Ceded reinsurance share paid	(55,638)	(4,020)
Receipts from financial derivatives	28,831	12,798
(Other expense paid)/other income received	(11,302)	23,388
Operating expenses paid	(192,094)	(178,481)
Insurance service expense	(162,425)	(70,003)

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

	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities before changes in net operating assets	781,596	689,819
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	14,678	(64,613)
Financial assets at fair value through profit or loss	(81,550)	(55,480)
Amounts due from credit institutions	(41,711)	499,146
Loans to customers	(1,552,968)	(1,905,013)
Assets classified as held for sale	2,130	8,398
Insurance contract assets	(33,509)	(4,925)
Other assets	9,378	32,229
Increase/(decrease) in operating liabilities:		
Amounts due to customers	531,724	1,893,578
Amounts due to credit institutions	(87,520)	(267,386)
Financial liabilities at fair value through profit or loss	(6,426)	8,264
Insurance contract liabilities	84,506	(1,847)
Other liabilities	47,121	34,687
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES BEFORE INCOME TAX	**(332,551)**	**866,857**
Income tax paid	(153,512)	(101,754)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(486,063)**	**765,103**

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of subsidiaries	2	-	(56,371)
Purchase and prepayments for property and equipment and intangible assets		(44,845)	(30,547)
Proceeds on sale of property and equipment and intangible assets		77	9,037
Proceeds on sale of investment property		3,396	3,672
Proceeds on sale of commercial property		8,978	22,286
Proceeds from sale of financial assets at fair value through other comprehensive income		653,043	368,482
Purchase of financial assets at fair value through other comprehensive income		(898,450)	(650,761)
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		289,170	287,399
Purchase of debt securities at amortised cost, net of allowance for expected credit losses		(9,343)	(25,640)
Capital expenditures on commercial property		(3,039)	(4,789)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,013)**	**(77,232)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		4,231	4,831
Purchase of treasury shares		(1,509)	(7,145)
Dividends paid – common shares		(276,524)	(138,341)
Redemption and repayment of debt securities issued	20	(140,705)	(177,600)
Proceeds from issue of debt securities issued	20	325,696	127,886
Repayment of lease liabilities		(2,273)	(3,077)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(91,084)**	**(193,446)**

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Effect of changes in foreign exchange rates on cash and cash equivalents		(73,356)	95,885
Net change in cash and cash equivalents		(651,516)	590,310
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**5**	**2,028,831**	**1,438,521**
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**5**	**1,377,315**	**2,028,831**

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 March 2024
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 March 2024
Almaty, Kazakhstan

1. PRINCIPAL ACTIVITIES

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

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

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

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

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

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

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

Legal proceedings

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

Operating environment

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

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

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

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

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

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

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

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

Ownership

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

31 December 2023

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.6%
GDR holders	3,109,586,880	28.5%
Other	209,046,483	1.9%
TOTAL SHARES IN CIRCULATION (ON CONSOLIDATED BASIS)	**10,902,171,591**	**100%**

31 December 2022

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.7%
GDR holders	3,090,660,400	28.4%
Other	209,669,751	1.9%
TOTAL SHARES IN CIRCULATION (ON CONSOLIDATED BASIS)	**10,883,868,379**	**100%**

2. BASIS OF PRESENTATION

Statement of compliance

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

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

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

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

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

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

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

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

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

Functional currency

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Disposal of subsidiaries

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Cash and cash equivalents

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

Obligatory reserves

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

Amounts due from credit institutions

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

Recognition and measurement of financial instruments

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

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

Financial assets

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

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

Specifically:

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

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

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

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

Financial assets at FVTPL are:

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

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

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

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

Reclassification of financial assets

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

Modification and derecognition of financial assets

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

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

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

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

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

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

Impairment

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

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

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

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

Allowances for expected credit losses

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

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

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

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

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

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

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

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

Offsetting

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

Credit-impaired financial assets

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

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Modification and derecognition of financial liabilities

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

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

Taxation

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

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

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

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

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

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

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

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

Property and equipment

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

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

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

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

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

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

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

Assets held for sale

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

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

Investment property

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

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

Commercial property

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

Amounts due to customers and credit institutions

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

Debt securities issued

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

Equity

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

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

Share capital

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

Treasury shares

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

Dividends

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

Equity reserves

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

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

Contingencies

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

Recognition of income and expense

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

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

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

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

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

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

Fee and commission income

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

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

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

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

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

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

Foreign currency translation

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

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

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

Insurance contracts

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

A. Key types of insurance contracts issued and reinsurance contracts held

The Group issues the following types of contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

Life business – non-participating contracts including:

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

Motor and property insurance policies:

These comprise comprehensive and third-party liability car insurance policies as well as property insurance policies for contents and buildings and other properties with coverage of one year or more.

This group of contracts include the following material products of the Group – voluntary life insurance Halyk Retail, voluntary life insurance Halyk Small Business, and obligatory insurance of an employee against accidents during the performance of his work duties, voluntary life insurance Halyk Eurasia, health insurance, and obligatory liability insurance for vehicle owners, property insurance, motor transport and liability insurance.

The Group accounts for these contracts applying the Premium Allocation Approach (PAA).

B. Definitions and classifications

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

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

C. Combining a set or series of contracts

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

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

D. Separating components from insurance and reinsurance contracts

In addition to the provision of the insurance coverage service, some insurance contracts issued by the Group have other components such as an investment component.

The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS 17.

Separating investment components

The Group issues certain life insurance policies. These include an investment component under which the Group is required to repay to a policyholder in all circumstances, regardless of an insured event occurring. In assessing whether an investment component is distinct and therefore required to be accounted for separately applying IFRS 9, the Group considers if the investment and insurance components are highly interrelated or not. A contract with equivalent terms to the investment component is sold (or could be sold) separately in the same market or in the same jurisdiction by other entities, including those issuing insurance contracts.

When the investment component meets the definition of an investment contract with discretionary participation features, it is then accounted for applying IFRS 17. In determining whether investment and insurance components are highly interrelated the Group assesses whether the Group is unable to measure one component without considering the other and whether the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other. The Group has not identified any distinct investment components. The Group applies IFRS 17 to account for non-distinct investment components as part of its insurance contracts.

Separating insurance components of a single insurance contract

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

E. Level of aggregation

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

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

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

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

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

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

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

F. Recognition

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

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

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

G. Contract boundaries

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

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

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

Cash flows are within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Group to deliver cash at a present or future date.

The Group assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations.

H. Measurement of insurance contracts issued

H1. Measurement on initial recognition for contracts other than PAA

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

Fulfilment cash flows within contract boundary

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

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

- Premiums and any additional cash flows resulting from those premiums;
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- Claim handling costs;
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows)

- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities
- Other costs specifically chargeable to the policyholder under the terms of the contract

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

Discount rates

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

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

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

Risk adjustment for non-financial risk

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

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

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

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Group will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

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

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

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

Insurance acquisition cash flows

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

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

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

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

H.2 Subsequent measurement under the General Model

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

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

Changes in fulfilment cash flows

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

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

Experience adjustments are the difference between:

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

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

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

Adjustments to the CSM

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

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

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

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

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

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

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

Recognition of the CSM in profit or loss

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

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

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

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

Contracts with cash flows not dependent on underlying items

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

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

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

H.3 Insurance contracts measured under the premium allocation approach

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

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

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

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

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

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

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

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

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

H.4 Onerous contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. Modification and derecognition

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

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

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

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

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

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

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

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

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

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

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

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

J. Presentation

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

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

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

J.1 Insurance revenue

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

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

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

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

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

J.2 Insurance service expenses

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

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

J.3 Income or expenses from reinsurance contracts held

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

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

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

For PAA contracts

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

For non-participating contracts

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

Exchange differences

Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held are recognised in profit or loss in the period in which they arise.

The group of insurance contracts with cash flows in different foreign currencies is assessed to be denominated in a single currency. Accordingly, the risk adjustment for non-financial risks and the CSM of the group of insurance contracts are determined in the currency of the group of contracts.

At the end of each reporting period, the carrying amount of the group of insurance contracts denominated in a foreign currency is translated into the functional currency.

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

K. Contracts existing at transition date

K.1 Contracts measured under the modified retrospective approach

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

The Group applied modifications in the following areas:

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

○ Determination of the CSM

○ Determination of insurance finance income or expenses

Level of aggregation

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

Assessments at inception or initial recognition

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

Expected cash flows

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

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

Discount rates

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

K.2 Contracts measured applying the fair value approach

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

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

○ Identify groups of insurance contracts

○ Determine whether an insurance contract meets the definition of an insurance contract with direct participation features

○ Identify discretionary cash flows for insurance contracts without direct participation features

○ Determine whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17

Level of aggregation

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

Measurement at the transition date

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

Discount rates

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

Insurance acquisition cash flows

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Segment reporting

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

Financial guarantee contracts and letters of credit issued

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

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

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

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

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

New and revised IFRS Standards in issue but not yet effective

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

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

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

4.
4a. SIGNIFICANT ACCOUNTING ESTIMATES

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

Significant increase of credit risk

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

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

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

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

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

The key inputs used for measuring ECL are:

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

Probability of default

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

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

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

Loss Given Default

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

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

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

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Models and assumptions used

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

Fair value measurement and valuation process

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

Taxation

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

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

4b. RESTATEMENTS

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

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

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

	As previously reported	Adjustment	As restated
Consolidated statement of financial position	1 January 2022	1 January 2022	1 January 2022
Financial assets at fair value through profit or loss	283,333	104,655	387,988
Deferred tax liability	50,469	20,931	71,400
Retained earnings and other reserves64	1,616,466	83,724	1,700,190

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

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

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

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

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

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

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

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For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2023	31 December 2023
Cash and due from banks allocated to obligatory reserves	244,866	259,544
TOTAL OBLIGATORY RESERVES	**244,866**	**259,544**

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

7.FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2023	31 December 2022
Financial assets held for trading:		
Corporate bonds	186,343	171,078
Equity securities of foreign organizations	149,224	115,571
Treasury bills of the Ministry of Finance of Kazakhstan	51,137	11,529
Bonds of JSC Development Bank of Kazakhstan	35,546	37,871
Bonds of foreign organizations	34,668	2,460
Bonds of Kazakhstan banks	33,676	9,250
Eurobonds of foreign states	32,650	27,743
Derivative financial instruments	23,836	11,736
Bonds of foreign financial organizations	23,716	18,590
Equity securities of Kazakhstan corporations	12,723	44,103
NBRK notes	5,843	-
TOTAL FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**589,362**	**449,931**

Financial liabilities at fair value through profit or loss comprise:

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

Derivative financial instruments comprise:

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

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

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities comprise:

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

Equity securities comprise:

	31 December 2023	31 December 2022
Equity securities of Kazakhstan corporations	9,630	8,954
	9,630	8,954
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**2,425,902**	**2,109,269**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

As at 31 December 2023 and 2022, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan, JSC Development Bank of Kazakhstan, JSC Industrial Development Fund, and JSC Kazakhstan Sustainability Fund at fair value of KZT 188,100 million and KZT 6,609 million, respectively, pledged under repurchase agreements with the other banks (see Note 19). All repurchase agreements as at 31 December 2023 and 2022 will be matured before 17 November 2025 and 25 January 2023, respectively.

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

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

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

10. DEBT SECURITIES AT AMORTISED COST, NET OF ALLOWANCE FOR EXPECTED CREDIT LOSSES

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

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of Kazakhstan	521,665	783,595
Corporate bonds	187,966	191,141
Treasury bills of Uzbekistan	7,421	25,234
Bonds of foreign organizations	5,332	8,221
Notes of National Bank of Georgia	2,959	3,002
Treasury bills of the Kyrgyz Republic	-	3,494
Notes of National Bank of the Kyrgyz Republic	-	2,689
Bonds of Kazakhstan banks	-	1,713
TOTAL DEBT SECURITIES AT AMORTISED COST, NET OF ALLOWANCE FOR EXPECTED CREDIT LOSSES	**725,343**	**1,019,089**

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

11. LOANS TO CUSTOMERS

Loans to customers comprise:

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

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

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

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

The main types of collateral obtained are as follows:

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

Loans are granted to the following sectors:

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Restructured and modified loans to customers

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

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

	31 December 2023					31 December 2022				
SME Business	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
AT THE BEGINNING OF THE YEAR	**1,148,257**	**19,153**	**120,470**	**6,074**	**1,293,954**	**5,469,752**	**245,157**	**502,058**	**33,293**	**6,250,260**
Transfer to Stage 1	20,613	(11,928)	(8,685)	-	-	119,859	(79,334)	(40,525)	-	-
Transfer to Stage 2	(40,586)	42,045	(1,459)	-	-	(168,158)	178,398	(10,240)	-	-
Transfer to Stage 3	(47,471)	(15,792)	63,263	-	-	(280,560)	(127,720)	408,280	-	-
New originations or purchases of financial assets	1,710,041	-	-	-	1,710,041	6,473,557	-	-	14,180	6,487,737
Assets derecognised or repaid	(729,701)	(6,027)	(39,727)	(405)	(775,860)	(2,712,559)	(65,294)	(152,482)	(1,963)	(2,932,298)
Write-offs	-	-	(9,550)	-	(9,550)	-	-	(42,021)	(725)	(42,746)
Changes in the gross value of financial assets*	(557,995)	(9,653)	(461)	(1,815)	(569,924)	(1,300,954)	(29,038)	(53,669)	(7,490)	(1,391,151)
Disposal of subsidiaries	(22,938)	(211)	(6,693)	-	(29,842)	(51,423)	(15,475)	(24,614)	-	(91,512)
AT THE END OF THE YEAR	**1,480,220**	**17,587**	**117,158**	**3,854**	**1,618,819**	**7,549,514**	**106,694**	**586,787**	**37,295**	**8,280,290**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

31 December 2022

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

31 December 2022

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

31 December 2022

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

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

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

31 December 2023

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

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

Allowance for expected credit losses and provisions

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

Internal rating model for loans to customers

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

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

The following classifications are used by the rating model:

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

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

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

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

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

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

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

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

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12. INVESTMENT PROPERTY

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

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

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

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

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

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

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

13. COMMERCIAL PROPERTY

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The movements in property and equipment are as follows:

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

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

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

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

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

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

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

15. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ATTRIBUTABLE TO ASSETS HELD FOR SALE

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

Assets held for sale comprised the following:

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

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

On 24 October 2023, an agreement was signed on the sale of 100% of the shares of OJSC Halyk Bank Kyrgyzstan. The completion of the transaction is planned after receiving the consent of the National Bank of the Kyrgyz Republic from the Buyer. The expected completion date for the sale of JSC Halyk

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Bank Kyrgyzstan is the 1st quarter of 2024, as such assets and liabilities of OJSC Halyk Bank Kyrgyzstan were classified as held for sale.

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

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

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

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

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

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

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

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

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16. INSURANCE CONTRACT ASSETS AND LIABILITIES

Insurance contract assets and liabilities comprised the following:

	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		31 December 2023
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Liabilities under insurance contracts at the beginning	175,050	6,878	35,690	5,690	223,308
Assets under insurance contracts at the beginning	4,094	-	-	-	4,094
TOTAL AS AT 31 DECEMBER 2023	**170,956**	**6,878**	**35,690**	**5,690**	**219,214**
INSURANCE REVENUE	**(239,189)**	**-**	**-**	**-**	**(239,189)**
INSURANCE EXPENSE:					
Incurred insurance losses and other incurred costs for insurance services	-	(1,963)	63,214	17,791	79,042
Amortization of acquisition cash flows	35,802	-	-	-	35,802
Changes attributed to past periods	-	-	12,624	3,002	15,626
Losses under groups of onerous contracts and restoration of such losses	-	1,377	-	-	1,377
TOTAL EXPENSES FOR INSURANCE SERVICES TAKEN INTO ACCOUNT IN THE ASSESSMENT OF LIABILITIES	**35,802**	**(586)**	**75,838**	**20,793**	**131,847**
Result of insurance activities	(203,387)	(586)	75,838	20,793	(107,342)
Financial expenses or income from insurance contracts issued	3,465	1,159	376	36	5,036
Expenses from the revaluation of foreign currency	(1,407)	-	-	-	(1,407)
TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS	**(201,329)**	**573**	**76,214**	**20,829**	**(103,713)**

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	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		31 December 2023
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Other changes	644	-	-	-	644
CASH FLOWS FOR THE PERIOD:					
Premiums received under insurance contracts issued	260,959	-	-	-	260,959
Payments for incurred insurance losses and other expenses for insurance services paid under issued insurance contracts, with the exception of acquisition cash flows	-	-	(62,055)	(10,155)	(72,210)
Acquisition cash flows	(42,118)	-	-	-	(42,118)
TOTAL CASH FLOWS	**219,485**	**-**	**(62,055)**	**(10,155)**	**147,275**
CHANGE IN RESERVES FOR THE YEAR	**(18,156)**	**573**	**14,159**	**10,674**	**43,562**
Liabilities under insurance contracts at the end of the period	199,401	7,451	49,849	16,364	273,065
Assets under insurance contracts at the end of the period	10,289	-	-	-	10,289
Total as at 31 December 2023	**189,112**	7,451	**49,849**	16,364	262,776

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					31 December 2022
	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Liabilities under insurance contracts at the beginning	144,513	7,658	35,675	6,349	194,195
Assets under insurance contracts at the beginning	3,317	-	-	-	3,317
TOTAL AS AT 31 DECEMBER 2022	**141,196**	**7,658**	**35,675**	**6,349**	**190,878**
INSURANCE REVENUE	**(194,876)**	**-**	**-**	**-**	**(194,876)**
INSURANCE EXPENSE:					
Incurred insurance losses and other incurred costs for insurance services	-	(2,470)	46,576	5,925	50,031
Amortization of acquisition cash flows	71,124	-	-	-	71,124
Changes attributed to past periods	-	-	(4,305)	(1,467)	(5,772)
Losses under groups of onerous contracts and restoration of such losses	-	585	-	-	585
TOTAL EXPENSES FOR INSURANCE SERVICES TAKEN INTO ACCOUNT IN THE ASSESSMENT OF LIABILITIES	**71,124**	**(1,885)**	**42,271**	**4,458**	**115,968**
Result of insurance activities	(123,752)	(1,885)	42,271	4,458	(78,908)
Financial expenses or income from insurance contracts issued	7,199	1,105	145	12	8,461
Expenses from the revaluation of foreign currency	1,578	-	-	-	1,578

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					31 December 2022
	Liabilities for the remaining portion of coverage		Liabilities for incurred claims using the premium allocation method		
	Excluding loss component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS	**(114,975)**	**(780)**	**42,416**	**4,470**	**(68,869)**
Other changes	(2,712)	-	-	-	(2,712)
CASH FLOWS FOR THE PERIOD:					
Premiums received under insurance contracts issued	179,930	-	-	-	179,930
Payments for incurred insurance losses and other expenses for insurance services paid under issued insurance contracts, with the exception of acquisition cash flows	-	-	(42,400)	(5,129)	(47,529)
Acquisition cash flows	(32,484)	-	-	-	(32,484)
TOTAL CASH FLOWS	**144,734**	**-**	**(42,400)**	**(5,129)**	**97,205**
CHANGE IN RESERVES FOR THE YEAR	**29,759**	**(780)**	**16**	**(659)**	**28,336**
Liabilities under insurance contracts at the end of the period	175,049	6,878	35,691	5,690	223,308
Assets under insurance contracts at the end of the period	4,094	-	-	-	4,094
TOTAL AS AT 31 DECEMBER 2022	**170,955**	**6,878**	**35,691**	**5,690**	**219,214**

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

31 December 2023

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

31 December 2022

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

Life insurance

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Insurance payments (with cumulative total) for:

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Gross amount of claims

	2016	2017	2018	2019	2020	2021	2022	Total
Estimates of undiscounted gross claims								
End of the year of the insured event	3,485	27,536	4,214	7,390	13,138	8,797	12,763	-
after one year	1,289	1,908	1,202	2,297	2,948	3,291	-	-
after two years	1,909	1,156	723	1,042	2,137	-	-	-
after three years	2,376	288	171	285	-	-	-	-
after four years	239	306	48	-	-	-	-	-
after five years	262	239	-	-	-	-	-	-
	1,541	91,785	5,278	3,765	10,445	9,484	-	122,297
Cumulative gross amount of claims paid	**1,803**	**92,023**	**5,326**	**4,050**	**12,582**	**12,775**	**12,763**	**141,322**
Gross liability for the period of the insured event from 2014 to 2023.	-	-	-	-	-	-	-	**18,991**

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Gross amount of claims	2016	2017	2018	2019	2020	2021	2022	Total
Gross amount of liabilities for the years preceding the insured event	-	-	-	-	-	-	-	1,556
Discounting effect	-	-	-	-	-	-	-	17,435
Gross liability for claims incurred								
Estimates of undiscounted gross claims								**2016**
End of the year of the insured event	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
after one year								
after two years	2,029	2,591	2,972	3,534	5,302	6,431	9,637	-
after three years	819	683	29	807	1,271	2,743	-	-
after four years	839	571	637	681	973	-	-	-
after five years	138	260	142	130	-	-	-	-
	239	306	48	-	-	-	-	-
Cumulative gross amount of claims paid	262	239	-	-	-	-	-	-

Gross amount of claims	2016	2017	2018	2019	2020	2021	2022	Total
Gross liability for the period of the insured event from 2014 to 2023.	**1,146**	**2,167**	**2,148**	**2,992**	**5,306**	**6,906**	**-**	**20,665**
Gross amount of liabilities for the years preceding the insured event	1,408	2,406	2,196	3,122	6,279	9,649	9,637	**34,697**
Discounting effect	-	-	-	-	-	-	-	**12,997**
Gross liability for claims incurred	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,556**
Estimates of undiscounted gross claims	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,440**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

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

17. OTHER ASSETS

Other assets include:

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

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

Finance lease receivables include:

	31 December 2023	31 December 2022
Amounts receivable under finance leases:		
Year 1	6,063	5,656
Year 2	4,967	4,762
Year 3	4,212	3,655
Year 4	3,395	2,868
Year 5	2,527	2,129
Onwards	6,542	4,827
Undiscounted lease payments	27,706	23,897
Less: unearned financial income	(10,433)	(7,461)
PRESENT VALUE OF LEASE PAYMENTS RECEIVABLE	**17,273**	**16,435**
Impairment loss allowance	(1,024)	(1,644)
NET INVESTMENT IN LEASE	**16,250**	**14,792**
NET INVESTMENT IN THE LEASE ANALYSED AS:		
Recoverable after 12 months	4,029	3,869
Recoverable within 12 months	12,220	10,923
NET INVESTMENT IN LEASE	**16,250**	**14,792**

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

18. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2023	31 December 2022
RECORDED AT AMORTISED COST:		
Term deposits:		
Individuals	4,808,592	4,351,846
Legal entities	3,338,099	2,898,924
	8,146,691	**7,250,770**
Current accounts:		
Legal entities	1,762,760	2,369,360
Individuals	1,020,053	891,918
	2,782,813	**3,261,278**
TOTAL AMOUNT DUE TO CUSTOMERS	**10,929,504**	**10,512,048**

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

An analysis of customer accounts by sector is as follows:

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

19. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

20. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2023	31 December 2022
RECORDED AT AMORTISED COST:		
SUBORDINATED DEBT SECURITIES ISSUED:		
KZT denominated bonds, fixed rate	94,246	90,341
Total subordinated debt securities outstanding	94,246	90,341
UNSUBORDINATED DEBT SECURITIES ISSUED:		
KZT denominated bonds	234,344	232,597
USD denominated bonds	324,803	139,879
TOTAL UNSUBORDINATED DEBT SECURITIES OUTSTANDING	**559,147**	**372,476**
TOTAL DEBT SECURITIES OUTSTANDING	**653,393**	**462,817**

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

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

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

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

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

	31 December 2023		31 December 2022	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
SUBORDINATED DEBT SECURITIES ISSUED:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
UNSUBORDINATED DEBT SECURITIES ISSUED:				
KZT denominated bonds	7.5%	2024-2025	7.5%	2024-2025
USD denominated bonds	3.5%-4.0%	2025	2.5%-4.0%	2025

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Reconciliation of liabilities arising from financing activities

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

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

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

21. TAXATION

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

The income tax expense comprises:

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

Deferred tax assets and liabilities comprise:

	Year ended 31 December 2023	Year ended 31 December 2022
TAX EFFECT OF DEDUCTIBLE TEMPORARY DIFFERENCES:		
Bonuses accrued	6,387	4,853
Fair value of derivatives	871	1,650
Vacation pay accrual	860	688
Other	32	142
DEFERRED TAX ASSET	**8,150**	**7,333**
TAX EFFECT OF TAXABLE TEMPORARY DIFFERENCES:		
Fair value adjustment on customer accounts	(16,421)	(38,721)
Property and equipment, accrued depreciation	(19,719)	(19,284)
Allowance for loans to customers	(1,314)	(1,406)
Fair value of derivatives, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss	(30,608)	(21,803)
Disposal of subsidiaries	447	-
Other	17	7
DEFERRED TAX LIABILITY	**(67,598)**	**(81,207)**
NET DEFERRED TAX LIABILITY	**(59,448)**	**(73,874)**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Current income tax assets and liabilities comprise:

	31 December 2023	31 December 2022
Current income tax refund receivable	7,956	1,521
Current income tax payable	(946)	(12,358)
CURRENT INCOME TAX ASSET/(LIABILITY)	**7,010**	**(10,837)**

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

	31 December 2023	31 December 2022
Deferred tax asset	351	273
Deferred tax liability	(59,799)	(74,147)
NET DEFERRED TAX LIABILITY	**(59,448)**	**(73,874)**

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implemented regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create substantially more significant tax risks in Kazakhstan than typically found in countries with more developed tax systems.

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

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

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

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

Movements in net deferred tax liability:

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

22. OTHER LIABILITIES

Other liabilities include:

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

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

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

23. EQUITY

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

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

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

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

Common shares

As at 31 December 2023 and 2022, share capital comprised KZT 209,027 million.

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

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

Dividends paid for the previous financial years were as follows:

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

Share premium reserve

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

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

The movements in provisions were as follows:

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

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

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Capital commitments

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

Operating lease commitments

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

25. NET INTEREST INCOME

	31 December 2023	31 December 2022
INTEREST INCOME:		
Loans to customers	1,349,836	983,419
- Corporate business	599,633	435,286
- Retail business	527,606	402,568
- SME business	222,597	145,565
Financial assets at fair value through other comprehensive income	155,145	97,309
Debt securities at amortised cost, net of allowance for expected credit losses	66,175	91,388
Amounts due from credit institutions and cash and cash equivalents	49,319	41,026
Other financial assets	6,543	7,501
INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD	**1,627,018**	**1,220,643**
Financial assets at fair value through profit or loss	42,764	27,005
OTHER INTEREST INCOME	**42,764**	**27,005**
TOTAL INTEREST INCOME	**1,669,782**	**1,247,648**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

	31 December 2023	31 December 2022
INTEREST EXPENSE:		
Amounts due to customers	(771,460)	(477,839)
- Individuals	(361,449)	(227,747)
- Legal entities	(410,011)	(250,092)
Amounts due to credit institutions	(46,723)	(63,982)
Debt securities issued	(40,284)	(35,317)
Other financial liabilities	(708)	(827)
Other interest and similar expense	(110)	(217)
Total interest expense	(859,285)	(578,182)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	**810,497**	**669,466**

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

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

(31 December 2022: KZT 1,123,334 million).

26.FEES AND COMMISSIONS

Fee and commission income is derived from the following sources:

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

Fee and commission expense is derived from the following sources:

	31 December 2023	31 December 2022
Transactional expense of individuals	(76,518)	(78,983)
Transactional expense of legal entities	(5,304)	(7,420)
Deposit insurance	(13,357)	(6,265)
Other	(4,525)	(3,431)
TOTAL FEE AND COMMISSION EXPENSE	**(99,704)**	**(96,099)**

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

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

27. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2023	31 December 2022
NET GAIN/(LOSS) ON OPERATIONS WITH FINANCIAL ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR TRADING:		
Realized net gain on derivative operations	28,831	12,798
Net gain/(loss) on trading operations	34,255	(10,262)
Unrealized net gain/(loss) on derivative operations	9,508	(3,061)
TOTAL NET GAIN/(LOSS) ON OPERATIONS WITH FINANCIAL ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR TRADING	**72,594**	**(525)**

28.NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain comprises:

	31 December 2023	31 December 2022
Dealing, net	107,271	172,982
Translation differences, net	(17,157)	4,911
TOTAL NET FOREIGN EXCHANGE GAIN	**90,114**	**177,893**

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29.INSURANCE REVENUE/(INSURANCE SERVICE EXPENSE)

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

Year ended 31 December 2023

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

Year ended 31 December 2022

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Year ended 31 December 2022

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

30.OPERATING EXPENSES

Operating expenses comprises:

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

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

31. INCOME ON NON-BANKING ACTIVITIES

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

32.EARNINGS PER SHARE

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2023	Year ended 31 December 2022
BASIC AND DILUTED EARNINGS PER SHARE		
Net profit for the year attributable to equity holders of the parent	693,435	569,477
Earnings attributable to common shareholders	693,435	569,477
Weighted average number of common shares for the purposes of basic earnings per share	10,894,712,258	10,891,001,418
BASIC EARNINGS PER SHARE (IN TENGE)	**63.65**	**52.29**

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

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

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

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

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

Risk appetite management

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

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

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

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

Internal process for assessing capital adequacy

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

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

Credit risk

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

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

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

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

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

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

Structure and authorities of credit committees

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

Head Office Credit Committee ("CC")

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

Branch Credit Committee and Branch Network Credit Committee ("BCC", "BNCC")

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

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

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

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

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

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

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

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

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

Problem loans committee of the Head Office, branches

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

Authorised credit authorities of the Bank's subsidiaries

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

ALMC

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

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

The Management Board

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

Risk Committee

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

The Board of Directors

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

Maximum Exposure

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Significant increase in credit risk

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

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

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

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Incorporation of forward-looking information

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

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

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

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

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

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		
	Unimpaired financial assets		Impaired financial assets				
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2023 Total
Amounts due from credit institutions	135,807	(345)	-	-	193	-	135,655
Financial assets at fair value through other comprehensive income	2,110,487	(1,218)	-	-	-	-	2,109,269
Debt securities at amortised cost	1,016,434	(347)	-	-	3,005	(3)	1,019,089
Loans to customers	4,740,903	(42,143)	416,995	(186,551)	3,122,392	(193,694)	7,857,902
Other financial assets	-	-	68,239	(31,819)	43,389	(1,623)	78,186

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

Liquidity risk

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

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

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

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

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

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

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

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

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

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

Liquidity risk management (identification, measurement, monitoring, control and analysis of liquidity risk) is carried out in accordance with the IPALA and the liquidity risk management policy, as well as regulatory requirements.

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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

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

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

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

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

Transactions with government agencies and government-controlled companies

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

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

31 DECEMBER 2023

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

31 DECEMBER 2022

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

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

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

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

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

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

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

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

Market risk

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Interest rate risk

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

The Group determines two types of interest rate risk:

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

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

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

Sensitivity analysis of interest rate risk

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

Currency Risk

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

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

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

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

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

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

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

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

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

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Sensitivity analysis of currency risk

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

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

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

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

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

Limitations of sensitivity analysis

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

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

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

Price risk

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

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

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

Calculation of VaR is based on the following parameters:

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

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

34. CAPITAL RISK MANAGEMENT

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

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

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

Currently, regulatory capital is represented by:

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

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

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

	31 December 2023	31 December 2022
COMPOSITION OF REGULATORY CAPITAL		
CET 1		
Common shares, net of treasury shares	(49,487)	(51,508)
Share premium	8,667	7,966
Retained earnings of prior years	1,750,723	1,455,739
Net income for the current year	693,436	569,478
Accumulated disclosed reserves*	54,320	54,157
Non-controlling interest	10	9
Property and financial assets at fair value through other comprehensive income revaluation reserves	13,620	(36,729)
Less: goodwill and intangible assets	(16,401)	(17,398)
Less: cumulative translation reserve	(3,459)	(11,742)
COMMON EQUITY TIER 1 (CET 1) CAPITAL	**2,451,429**	**1,969,972**
ADDITIONAL TIER 1		
TIER 2		
Subordinated debt	37,698	36,136
TOTAL QUALIFYING FOR TIER 2 CAPITAL	**37,698**	**36,136**
TOTAL REGULATORY CAPITAL	**2,489,127**	**2,006,108**

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

	31 December 2023	31 December 2022
Risk weighted assets		
CET 1 CAPITAL ADEQUACY RATIO	**19.34%**	**19.17%**
TIER 1 CAPITAL ADEQUACY RATIO	**19.34%**	**19.17%**
TOTAL CAPITAL ADEQUACY RATIO	**19.64%**	**19.53%**

35. SEGMENT ANALYSIS

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

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

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

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

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

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include the allowances for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

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

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

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
AS AT 31 DECEMBER 2023 AND FOR THE YEAR THEN ENDED						
External revenues	669,139	710,701	295,973	295,440	302,777	2,274,030
TOTAL REVENUES	**669,139**	**710,701**	**295,973**	**295,440**	**302,777**	**2,274,030**
TOTAL REVENUES COMPRISE:						
- Interest income	523,475	653,442	225,778	264,083	3,004	1,669,782
- Fee and commission income, including:	127,771	32,769	36,011	-	3,509	200,060
Transactional income of individuals	139,948	-	-	-	-	139,948
Transactional income of legal entities	-	13,146	31,254	-	2	44,402
Letters of credit and guarantees issued	-	15,415	4,621	-	-	20,036
Other	865	4,508	136	-	3,507	9,016
LOYALTY PROGRAM	**(13,043)**	**(300)**	**-**	**-**	**-**	**(13,343)**
- Net (loss)/gain on financial assets at fair value through profit or loss	-	40,939	-	31,346	309	72,594
- Net foreign exchange gain	17,893	48,085	34,184	11	(10,059)	90,114
- Share in profit of associate	-	-	-	-	13,593	13,593
- Insurance underwriting income, income on non-banking activities and other (expense)/income	-	(64,534)	-	-	292,421	227,887
TOTAL REVENUES	**669,139**	**710,701**	**295,973**	**295,440**	**302,777**	**2,274,030**

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
- Interest expense	(360,442)	(317,131)	(140,123)	(40,043)	(1,546)	(859,285)
- Expected credit loss expense	(61,410)	(15,215)	(14,639)	(3,384)	3,982	(90,666)
- Fee and commission expense	(91,693)	(5,229)	(1,825)	(954)	(3)	(99,704)
- Net realised loss from financial assets at fair value through other comprehensive income	-	-	-	(4,055)	-	(4,055)
- Operating expenses	(118,483)	(15,906)	(24,149)	(1,616)	(56,733)	(216,887)
- Recovery of other credit loss expense/(other credit loss expense)	-	1,923	(293)		(68)	1,562
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and loss from impairment of non-financial assets	-	-	-	-	(3,298)	(3,298)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(131,848)	(131,848)
- Reinsurance agreements					(55,075)	(55,075)
TOTAL EXPENSES	**(632,028)**	**(351,558)**	**(181,029)**	**(50,052)**	**(244,589)**	**(1,459,256)**
SEGMENT RESULT	**37,111**	**359,143**	**114,944**	**245,388**	**58,188**	**814,774**
Income before income tax expense	37,111	359,143	114,944	245,388	58,188	814,774
Income tax expense	-	-	-	-	(121,338)	(121,338)
NET INCOME	**37,111**	**359,143**	**114,944**	**245,388**	**(63,150)**	**693,436**
Total segment assets	2,917,442	6,339,309	1,536,837	3,722,275	978,505	15,494,368
Total segment liabilities	5,690,720	3,755,107	2,425,130	683,243	463,214	13,017,414
OTHER SEGMENT ITEMS:						
Capital expenditures					(45,845)	(45,845)
Depreciation and amortisation					(18,534)	(18,534)
Investment in associate					51,464	51,464

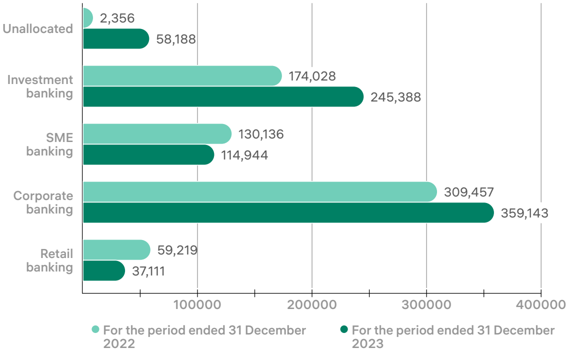
Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
AS AT 31 DECEMBER 2022 AND FOR THE YEAR THEN ENDED						
External revenues	546,684	612,744	225,238	215,820	233,089	1,833,575
TOTAL REVENUES	**546,684**	**612,744**	**225,238**	**215,820**	**233,089**	**1,833,575**
TOTAL REVENUES COMPRISE:						
- Interest income	402,563	476,317	153,066	215,386	316	1,247,648
- Fee and commission income, including:	119,998	23,331	33,161	4	3,572	180,066
Transactional income of individuals	129,189	-	-	4	39	129,232
Transactional income of legal entities	-	9,946	28,034	-	363	38,343
Letters of credit and guarantees issued	44	10,159	3,611	-	49	13,863
Other	2,919	3,293	1,516	-	3,121	10,849
LOYALTY PROGRAM	(12,154)	(67)	-	-	-	(12,221)
- Net foreign exchange gain	20,790	118,843	38,166	-	94	177,893
- Share in profit of associate	-	-	-	-	9,708	9,708
- Insurance underwriting income, income on non-banking activities and other (expene)/income	3,333	(5,747)	845	430	219,399	218,260

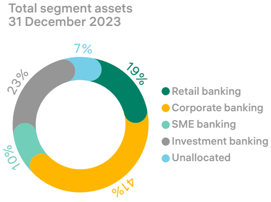
Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

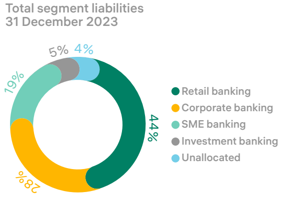
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
TOTAL REVENUES	**546,684**	**612,744**	**225,238**	**215,820**	**233,089**	**1,833,575**
- Interest expense	(227,009)	(245,311)	(69,537)	(35,268)	(1,057)	(578,182)
- Credit loss expense	(71,009)	(22,793)	(3,413)	(954)	(8,760)	(106,929)
- Fee and commission expense	(86,152)	(7,300)	(1,298)	(763)	(586)	(96,099)
- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	-	5,667	-	(3,608)	(3,859)	(1,800)
- Operating expenses	(103,627)	(14,063)	(20,772)	(1,199)	(53,357)	(193,018)
- Recovery of other credit loss expense/(other credit loss expense)	332	(266)	(82)	-	94	78
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and Loss from impairment of non-financial assets	-	21	-	-	4,038	4,059
- Loss on disposal of subsidiaries	-	(19,242)				(19,242)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(167,246)	(167,246)
TOTAL EXPENSES	**(487,465)**	**(303,287)**	**(95,102)**	**(41,792)**	**(230,733)**	**(1,158,379)**
SEGMENT RESULT	**59,219**	**309,457**	**130,136**	**174,028**	**2,356**	**675,196**
Income before income tax expense	59,219	309,457	130,136	174,028	2,356	675,196
Income tax expense					(105,718)	(105,718)
NET INCOME	**59,219**	**309,457**	**130,136**	**174,028**	**(103,362)**	**569,478**
Total segment assets	2,398,307	6,435,420	1,257,508	3,403,441	900,426	14,395,102
Total segment liabilities	5,206,935	4,238,654	2,124,081	468,571	344,619	12,382,860
OTHER SEGMENT ITEMS:						
Capital expenditures					(30,547)	(30,547)
Depreciation and amortisation					(16,002)	(16,002)
Investment in associate					42,005	42,005

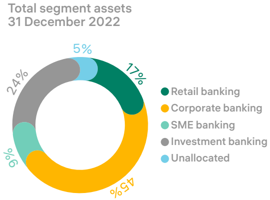
Income before income tax expense by segments were as follows:

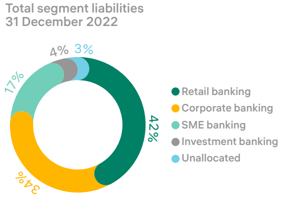


Share of segment assets and liabilities as at 31 December 2023 and 2022 presented as follows:









For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Geographical information

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

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

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

36.FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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During the year ended 31 December 2023, the Group changed the definition of an active market in its accounting policies. In accordance with the changes in policy, the Group has revised the classification of securities for previous periods.

The impact of restatements is as follows:

	31 December 2023		31 December 2022	
Financial assets and liabilities	Fair value hierarchy	(as previously reported)	Adjustment	(restated)
Non-derivative financial assets at fair value through profit or loss (Note 7)	Level 1	160,373	(82,442)	77,931
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	Level 2	170,049	82,442	252,491
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	Level 3	10	107,763	107,773
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	Level 1	1,735,734	(1,349,006)	386,728
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	Level 2	373,482	1,349,006	1,722,488

The adjustments of these misclassifications did not result in any changes to the Group's consolidated financial statements or basic and diluted earnings per share.

The table below summarises the Group's financial assets and liabilities held at fair value by valuation methodology as at 31 December 2023 and 2022, before any allowances for expected credit losses.

Notes to the Consolidated Financial Statements (Continued)
For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value 31 December 2023	Fair value 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 7)	95,431	77,931	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	337,413	252,491	Level 2	Quoted prices in a market that is not sufficiently active.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	132,682	107,773	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	23,836	11,736	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**589,362**	**449,931**				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	4,202	10,628	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**4,202**	**10,628**				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	428,476	386,728	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	1,997,373	1,722,488	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	53	53	Level 3	Unquoted equity securities	Percentage discount	The greater discount - the smaller fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**2,425,902**	**2,109,269**				

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2023 and 2022.

	Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Level 3)	Non-derivative financial assets at fair value through profit or loss (Level 3)
31 December 2021	**750**	**10**
Settlements*	(697)	107,763
31 December 2022	**53**	**107,773**
Settlements*	-	24,909
31 December 2023	**53**	**132,682**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of the estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows, discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2023		31 December 2022	
FINANCIAL ASSETS	Carrying amount	Fair value	Carrying amount	Fair value
Amounts due from credit institutions	171,754	177,504	135,655	145,621
Loans to customers	9,284,872	9,360,564	7,857,902	7,410,430
Debt securities at amortised cost, net of allowance for expected credit losses	725,343	665,491	1,019,089	945,828
FINANCIAL LIABILITIES				
Amounts due to customers	10,929,504	10,885,820	10,487,615	10,500,612
Amounts due to credit institutions	778,311	816,092	878,665	881,765
Debt securities issued	653,393	642,695	462,817	436,540

* As at 31 December 2023 and 2022, the settlements include written-off bonds of Kazakhstani corporations.

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

	31 December 2023		
	Level 2	Level 3	Total
FINANCIAL ASSETS			
Amounts due from credit institutions	177,504	-	177,504
Loans to customers	-	9,360,564	9,360,564
Debt securities at amortised cost, net of allowance for expected credit losses	472,070	193,421	665,491
FINANCIAL LIABILITIES			
Amounts due to customers	10,885,820	-	10,885,820
Amounts due to credit institutions	816,092	-	816,092
Debt securities issued	642,695	-	642,695

	31 December 2022		
	Level 2	Level 3	Total
FINANCIAL ASSETS			
Amounts due from credit institutions	145,621	-	145,621
Loans to customers	-	7,410,430	7,410,430
Debt securities at amortised cost, net of allowance for expected credit losses	746,236	199,592	945,828
FINANCIAL LIABILITIES			
Amounts due to customers	10,500,612	-	10,512,612
Amounts due to credit institutions	881,765	-	881,765
Debt securities issued	436,540	-	436,540

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

37. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

During 2023 and 2022, the Group entered into arm-length transactions with entities where the Group's shareholders were one of the participants. Management believes that any control of these entities is with unrelated parties as per IFRS through the level of holding control or trust management arrangements, which are in compliance with Kazakhstan legislation. As such, these transactions are not disclosed as being with related parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties. The Group had the following balances outstanding as at 31 December 2023 and 2022 with related parties:

	31 December 2023		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	12,025	9,774,798	42,676	8,280,290
- entities with joint control or significant influence over the entity	11,706		42,284	
- key management personnel of the entity or its parent	311		392	
- other related parties	8		-	

For the years ended 31 December 2023 and 2022 (Millions of Kazakhstani Tenge)

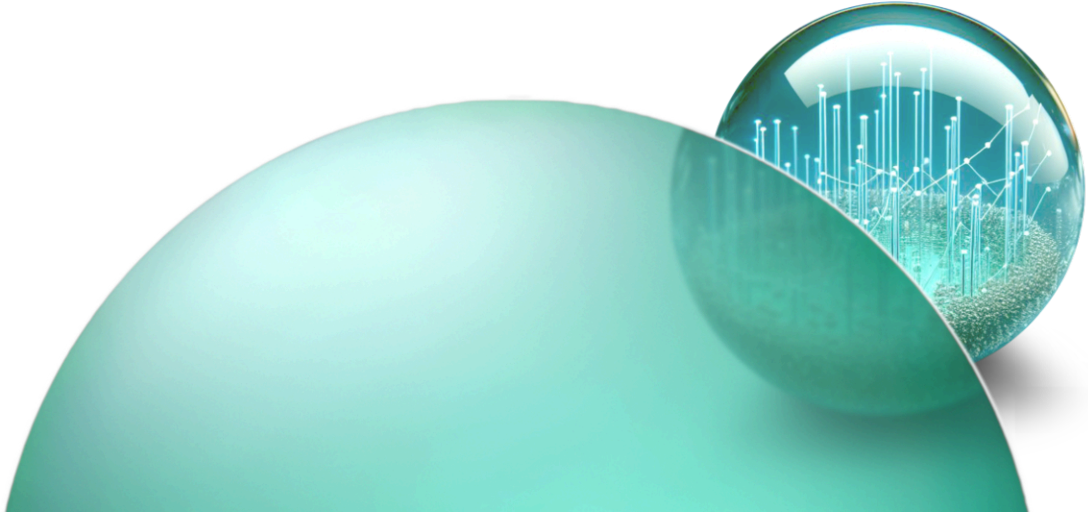
	31 December 2023		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Allowance for expected credit losses	(48)	(489,926)	(182)	(422,388)
- entities with joint control or significant influence over the entity	(44)		(177)	
- key management personnel of the entity and its parent	(3)		(5)	
- other related parties	(1)			
Other assets	51,464	173,662	42,005	159,982
- Investments in associates	51,464		42,005	
Amounts due to customers	178,669	10,929,504	516,223	10,512,048
- the parent	110,838		434,987	
- entities with joint control or significant influence over the entity	46,305		60,332	
- key management personnel of the entity or its parent	11,397		10,243	
- other related parties	10,129		10,662	
Debt securities issued	227,351	653,393	-	462,817
- entities with joint control or significant influence over the entity	223,473		-	
- key management personnel of the entity or its parent	3,878		-	

Included in the consolidated statement of profit or loss for the years ended 31 December 2023 and 2022, are the following amounts which arose due to transactions with related parties:

	31 December 2023		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income calculated using effective interest method	2,392	1,627,018	2,583	1,220,643
- entities with joint control or significant influence over the entity	2,362		2,561	
- key management personnel of the entity or its parent	30		22	
Interest expense	(10,781)	(859,285)	(7,813)	(578,182)
- the parent	(6,336)		(3,924)	
- entities with joint control or significant influence over the entity	(3,455)		(3,563)	
- key management personnel of the entity or its parent	(364)		(140)	
- other related parties	(626)		(186)	
Share in profit of associate	13,593	13,593	9,708	9,708
Operating expenses	(2,000)	(216,888)	(2,500)	(193,018)
- entities with joint control or significant influence over the entity	(2,000)		(2,500)	
Key management personnel compensation:	3,715	126,929	3,816	108,461
- Salaries and other employee benefits	3,715		3,816	

38. SUBSEQUENT EVENTS

Management has not identified events occurred after 31 December 2023, requiring recognition or disclosure.



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Information for Shareholders

Halyk

INFORMATION FOR SHAREHOLDERS

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https://halykbank.com
https://halykbank.kz/en/about/shareholders_investors/akcioneram

Registered with
The Ministry of Justice of the Republic of Kazakhstan

Registration number
3898-1900-AO

Date of re-registration
5 June 2023

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www.nationalbank.kz

The Agency for Financial Market Regulation and Development
www.finreg.kz

Kazakhstan Stock Exchange (KASE)
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Astana International Exchange
www.aix.kz

London Stock Exchange (LSE)
www.londonstockexchange.com

Financial Conduct Authority (FCA)
www.fca.org.uk

Prudential Regulation Authority (PRA)
http://www.bankofengland.co.uk/pra