Citibank Kazakhstan JSC

Financial Statements
for the year ended
31 December 2023

Contents

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
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Independent Auditors' Report

To the Shareholders of Citibank Kazakhstan JSC

Opinion

We have audited the financial statements of Citibank Kazakhstan JSC (the "Bank"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

Madina Magomedova
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
№ МФ-0000594 of 24 May 2018

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

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

22 April 2024

	Note	2023 '000 KZT	2022 '000 KZT
Interest income calculated using the effective interest method	4	103,699,419	69,203,204
Other interest income	4	4,210,179	1,057,636
Interest expense	4	(18,864,756)	(12,373,497)
Net interest income		**89,044,842**	**57,887,343**
Fee and commission income	5	4,011,932	3,327,583
Fee and commission expense	6	(1,310,497)	(1,143,810)
Net fee and commission income		**2,701,435**	**2,183,773**
Net foreign exchange gain	7	63,345,356	70,332,002
Net (loss)/gain on derivative financial instruments		(8,231,632)	3,454,439
Net realized gain/(loss) on investment securities		1,016,093	(1,104,742)
Other operating income, net		4,447,148	4,286,080
Operating income		**152,323,242**	**137,038,895**
Impairment charge on debt financial assets and credit related commitments	8	(340,219)	(319,056)
General administrative expenses	9	(19,952,999)	(14,391,465)
Profit before taxes		**132,030,024**	**122,328,374**
Income tax expense	10	(21,565,259)	(22,130,823)
Profit for the year		**110,464,765**	**100,197,551**
Other comprehensive income/(loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
- Net change in fair value		2,651,031	(1,256,100)
- Net change in expected credit losses		20,821	(50,317)
Other comprehensive income/(loss) for the year		**2,671,852**	**(1,306,417)**
Total comprehensive income for the year		**113,136,617**	**98,891,134**

These financial statements as set out on pages 6 to 52 were approved by Management and were signed on its behalf by:

Saule Zhakayeva
Chief Executive Officer

22 April 2024
Almaty, Kazakhstan

Madina Omurzakova
Chief Accountant

22 April 2024
Almaty, Kazakhstan

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

	Note	31 December 2023 '000 KZT	31 December 2022 '000 KZT
ASSETS			
Cash and cash equivalents	11	599,580,470	1,132,123,020
Placements with banks	12	212,836,276	-
Derivative instruments at fair value through profit or loss	13	3,694,062	3,454,917
Financial assets at fair value through profit or loss	14	29,604,017	2,402,223
Investment securities	15		
- *Pledged under REPO deals*		-	*51,506,140*
- *Not pledged under REPO deals*		*101,577,525*	*14,034,028*
Loans to customers	16	126,259,950	124,482,937
Property, equipment and intangible assets	17	1,259,614	1,002,406
Current tax assets		3,110,278	177,061
Deferred tax asset	10	-	34,632
Other assets	18	9,099,182	425,205
Total assets		**1,087,021,374**	**1,329,642,569**
LIABILITIES			
Derivative instruments at fair value through profit or loss	13	249,829	1,066,555
Deposits and balances from banks and other financial institutions	19	26,052,292	86,720,003
Current accounts and deposits from customers	20	930,336,508	1,056,163,456
Amounts payable under repurchase agreements		-	51,545,865
Deferred tax liabilities	10	380,339	-
Other liabilities	18	5,929,799	2,012,186
Total liabilities		**962,948,767**	**1,197,508,065**
EQUITY			
Share capital	21	12,497,625	12,497,625
Additional paid-in capital		61,975	61,975
Fair value reserve		1,048,239	(1,623,613)
Retained earnings		110,464,768	121,198,517
Total equity		**124,072,607**	**132,134,504**
Total liabilities and equity		**1,087,021,374**	**1,329,642,569**

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

	2023 '000 KZT	2022 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	103,454,246	72,995,567
Interest payments	(19,192,184)	(12,381,585)
Fee and commission receipts	4,012,856	3,333,077
Fee and commission payments	(1,324,680)	(1,126,392)
Net receipts from foreign exchange and derivatives	65,021,819	67,998,803
Net gain/(loss) on financial assets at fair value through profit or loss	760,647	(146,824)
Other receipts	3,648,837	4,069,113
General administrative payments	(19,591,575)	(14,083,397)
(Increase)/decrease in operating assets		
Financial assets at fair value through profit or loss	(26,470,947)	31,004,324
Placements with banks	(211,206,711)	-
Loans to customers	(2,303,732)	(29,400,683)
Other assets	(8,762,714)	411,913
Increase/(decrease)in operating liabilities		
Deposits and balances from banks and other financial institutions	(60,840,085)	55,353,083
Current accounts and deposits from customers	(114,203,569)	96,987,311
Amounts payable under repurchase agreements	(51,497,992)	51,497,992
Other liabilities	3,672,721	(1,218,894)
Net cash (used in)/from operating activities before income tax paid	**(334,823,063)**	**325,293,408**
Income tax paid	(24,083,505)	(22,153,635)
Cash flows (used in)/from operating activities	**(358,906,568)**	**303,139,773**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(415,242,954)	-
Sales and redemption of investment securities	384,815,551	45,993,425
Purchases of property, equipment and intangible assets	(471,450)	(202,921)
Sales of property, equipment and intangible assets	6,250	-
Cash flows (used in)/from investing activities	**(30,892,603)**	**45,790,504**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(121,198,514)	(93,000,000)
Cash flows used in financing activities	**(121,198,514)**	**(93,000,000)**
Net (decrease)/increase in cash and cash equivalents	**(510,997,685)**	**255,930,277**
Effect of changes in exchange rates on cash and cash equivalents	(21,544,865)	26,115,222
Cash and cash equivalents at 1 January	1,132,123,020	850,077,521
Cash and cash equivalents at 31 December (Note 11)	**599,580,470**	**1,132,123,020**

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

’000 KZT	Share capital	Additional paid-in capital	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2022	12,497,625	61,975	(317,196)	114,000,966	126,243,370
Profit for the year	-	-	-	100,197,551	100,197,551
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
-Net change in fair value	-	-	(1,256,100)	-	(1,256,100)
-Net change in expected credit losses	-	-	(50,317)	-	(50,317)
Total other comprehensive income	**-**	**-**	**(1,306,417)**	**-**	**(1,306,417)**
Total comprehensive income for the year	**-**	**-**	**(1,306,417)**	**100,197,551**	**98,891,134**
Transactions with owners, recorded directly in equity					
Dividends declared and paid (Note 21)	-	-	-	(93,000,000)	(93,000,000)
Balance at 31 December 2022	**12,497,625**	**61,975**	**(1,623,613)**	**121,198,517**	**132,134,504**
Balance at 1 January 2023	12,497,625	61,975	(1,623,613)	121,198,517	132,134,504
Profit for the year	-	-	-	110,464,765	110,464,765
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
-Net change in fair value	-	-	2,651,031	-	2,651,031
-Net change in expected credit losses	-	-	20,821	-	20,821
Total other comprehensive income	**-**	**-**	**2,671,852**	**-**	**2,671,852**
Total comprehensive income for the year	**-**	**-**	**2,671,852**	**110,464,765**	**113,136,617**
Transactions with owners, recorded directly in equity					
Dividends declared and paid (Note 21)	-	-	-	(121,198,514)	(121,198,514)
Balance at 31 December 2023	**12,497,625**	**61,975**	**1,048,239**	**110,464,768**	**124,072,607**

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

1 Background

(a) Principal activities

Citibank Kazakhstan JSC (the "Bank") was established as a joint stock company in the Republic of Kazakhstan. The Bank was granted its general banking license in 1998 and the license for conduction of operations on the securities market in 1999 and these licenses were updated in February 2020. The Bank is a member of the state deposit insurance system in the Republic of Kazakhstan.

The principal activities of the Bank are corporate deposit taking, corporate lending, cash management, custody operations, operations with government securities, money market and foreign exchange transactions. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and Agency of the Republic of Kazakhstan for regulation and development of the financial market (the "Agency").

The address of the Bank's registered office is: Park Palace, Building A, 2nd floor, 26/41 Zenkova Str., Almaty, A25T0A1, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

(b) Shareholder

The Bank is wholly owned by Citibank N.A. (the "Shareholder Bank"). As a result, the Bank is economically dependent upon the Shareholder Bank. In addition, the activities of the Bank are closely linked with the requirements of the Shareholder Bank and determination of the pricing of the Bank's services to the Shareholder Bank is undertaken in conjunction with other Shareholder Bank companies.

(c) Kazakhstan business environment

The Bank's operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge and the volatility of oil prices on world markets also increased the level of uncertainty in the business environment.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and investment securities at fair value through other comprehensive income are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The KZT is also the Bank's presentation currency for the purposes of these financial statements.

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

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(f);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses ("ECL") and selection and approval of models used to measure ECL – Note 3(l);
- estimates of fair values of financial assets and liabilities – Note 28.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- estimates of fair values of financial assets and liabilities – Note 28.

3 Material accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

In addition, the Bank adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

(a) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

Calculation of interest income and expense

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

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

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

For information on when financial assets are credit-impaired, see Note 3(l).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL.

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- Financial liabilities measured at amortised cost.

(b) Cash and cash equivalents

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

(c) Financial assets and financial liabilities

Classification and Measurement

(i) Financial Assets – Derivatives and Equity Instruments

Under IFRS 9, derivatives and in-scope equity instruments are measured at fair value, with changes reflected through the profit and loss account (FVTPL). Exceptions can only apply if the derivative is part of a hedge accounting programme and equity financial assets designated at FVOCI at initial recognition.

(ii) Financial Assets – Debt Instruments

Under IFRS 9, the following primary classification and measurement categories exist for financial assets-debt instruments:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value though profit or loss (FVTPL).

In addition, IFRS 9 provides special designation options for financial assets-debt instruments that are either measured at ‘amortized cost’ or ‘FVOCI’. An entity has an option to designate such instruments at FVTPL only where this designation eliminates or significantly reduces an accounting mismatch.

The following paragraphs explain the classification criteria for the 3 categories in more detail.

Amortised Cost

A financial asset-debt instrument shall be classified and subsequently measured at amortized cost (unless designated under FVTPL) only if both of the following conditions are met:

a) Business Model test: the financial asset-debt instrument is held in a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

FVOCI

A financial asset shall be classified and measured at FVOCI (unless designated at FVTPL) if both of the following conditions are met:

a) Business Model test: the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

FVTPL

Any financial instrument that does not fall into either of the above categories shall be classified and measured at fair value through profit and loss. For example, where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is both to collect the cash flows and to sell the assets, then the asset will be classified as FVTPL.

Moreover, any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category.

Business Model Assessment

The Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Bank has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors.

The Bank considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank'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 (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment of whether the contractual cash flows are solely payments of principal and interest

If an instrument is held in either a hold to collect or a or hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that give rise to exposure or volatility in contractual cash flows that are not related to the underlying loan agreement, such as exposure to changes in stock prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal debt and interest on the principal amount outstanding.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

(iii) Financial Liabilities

There are two measurement categories for financial liabilities: at amortized cost and at fair value through profit or loss (including the additional category of fair value measurement).

(iv) Reclassifications

Financial asset classification is determined at initial recognition and reclassifications are expected to be extremely rare. A financial asset can only be reclassified if the business model for managing the financial asset changes.

Reclassification of financial liabilities is not permitted. Reclassification of financial instruments designated under FVTPL or FVOCl is also not permitted.

(v) Modifications

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

As the Bank classifies a financial asset at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset is sufficiently modified that it is derecognised.

Financial Liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(d) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments, which values are dependent upon or derived from one or more underlying assets.

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

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

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

(e) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

Offices	50 years;
Leasehold improvements	10 years;
Computers	3 years;
Fixtures and fittings	5 years;
Vehicles	5 years.

(f) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 5 years.

(g) Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees, including:

- Investments in debt instruments measured at amortised cost. Such investments will include:
  - Corporate loans (including overdrafts and credit cards);
  - Placements with banks; and
  - Reverse repurchase agreements (“reverse REPO”).
- Investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- All irrevocable loan commitments that are not measured at FVTPL;
- Written financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at FVTPL;
- Trade receivables in the scope of IFRS 15 (Revenue contracts with customers); and
- Any other receivables (e.g., brokerage receivables).

Expected credit loss impairment model

Credit loss allowances are measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognised equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive):

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognised. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank utilises a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

Wholesale Classifiably Managed Exposures

An impairment allowance estimated for Corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios.

Other Financial Assets Simplified Approaches

For other financial assets, being short term and simple in nature, the Bank applies a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress-testing and regulatory capital reporting purposes, but incorporates specifically developed components to make the estimates compliant with IFRS 9.

Significant increase in credit risk (SICR)

A financial asset will move from Stage 1 to Stage 2 if there has been a significant increase in credit risk relative to initial recognition. The Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. Determining whether there has been a significant increase in credit risk requires significant judgement. When making this assessment, the Bank considers the increase in the risk of default (both in relative terms and absolute terms) over the expected life of the financial asset. A given change in absolute terms of the risk of a default since initial recognition will be more significant for a financial instrument with a lower initial risk of default compared to one with a higher initial risk of default. A change in the probability of default of the obligor is driven primarily by the obligor risk rating. Internal credit risk rating categories capture the further qualitative indicators that act as backstops.

As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling:

- the lifetime PD is above 20 basis points; and
- there has been an increase in the lifetime PD between origination and the reporting date of more than one standard deviation of the normal distribution for the lifetime PD at origination.

Staging

Financial assets can move in both directions through the Stages of the IFRS 9 impairment model depending on whether the assessment of whether there is a significant increase of credit risk since initial recognition or whether the asset is credit impaired subsequently changes.

In order to determine the ECL reporting stage for an obligation, Bank checks whether the asset is already credit-impaired (Stage 3) or not (Stage 1 and 2). Stage 2 is determined by the existence of a significant credit deterioration (or credit improvement) compared with the credit rating at initial recognition. Stage 1 assets that do not have significant credit deterioration compared with that at initial recognition. All newly acquired or originated financial assets that are not purchased or originated credit impaired (POCI) are recognised in Stage 1 initially. The existence of a (statistically) significant deterioration/improvement is combined with the materiality of the probability of default to determine whether a transfer in stages is required. The Bank does not rebut the presumption that exposures 30 days past due are deemed to have incurred a significant increase in credit risk. Additional qualitative reviews are also performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in credit risk.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month expected credit losses) and Stage 2 (lifetime expected credit losses), are recorded in profit or loss as an adjustment of the provision for credit losses.

Expected life

When measuring ECL, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk, including possible drawdowns and the expected maturity of the financial asset. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Stage 3 definition of default

As mentioned above, to determine whether an instrument should move to a lifetime ECL, the change in the risk of a default occurring over the expected life of the financial instruments are considered.

The Bank applies a default definition that is consistent with that used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for this purpose is applied consistently to all financial instruments unless information becomes available that demonstrates another default definition is more appropriate for a particular financial instrument.

The Bank classifies an exposure as a Non-Performing Exposure (NPE) if it satisfies either or both of the following criteria:

- There are material exposures which are more than 90 days past-due;
- The obligor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

A default is considered to have occurred when an exposure is classified as a NPE unless the exposure meets the following criteria:

- The obligor is a subsidiary of an investment grade or BB+ (equivalent) rated parent company; and
- There are no arrears >30 DPD unless due to a dispute or administrative reason; and
- The obligor is being made non-performing solely on the grounds of significant financial difficulty when evaluated on a standalone basis; and
- There is evidence to indicate that the parent or other group companies intend to provide support in order to mitigate the significant financial difficulty of the obligor; and
- There is no expectation of Bank incurring a credit loss from its exposures with the obligor.

Forward Looking Information and multiple economic scenarios

Estimates consider information about past events, current conditions and reasonable and supportable forecasts around future events and economic conditions. The application of forward-looking information (FLI) requires significant judgment. The Bank has developed models that include multiple economic scenarios that consider the variability and uncertainty in expected losses including factors such as GDP growth rates and unemployment rates, provided by the economists in Citi's Global Country Risk Management (GCRM). These estimates are based on portfolio data that reflect the current risk attributes of obligors and debt instruments combined with loss projections derived from the rating migration, PD and loss models built for estimating stress credit losses for wholesale portfolios. As mentioned above, these models have incorporated specifically developed components to make the estimates compliant with IFRS 9. The PD, LGD and Credit Conversion Factor (CCF) models are calibrated to the observed historical patterns of defaults and losses over several years and linked to economic drivers. The model reflects different loss likelihood and loss severity as a function of different economic forecasts. The Bank does not use the best case or worst case scenario, but assesses a representative number of scenarios (at least 3 when applying a sophisticated approach and where multiple scenarios are deemed to have a material non-linear impact) and probability weights these scenarios to determine the ECL.

(h) Loans to customers

'Loans to customers' caption in the statement of financial position include:

- loans to customers measured at amortised cost (see Note 3(f)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(i) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3(f)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI (see Note 3(f)).

(j) Financial assets at fair value through profit or loss

The 'financial assets at fair value through profit or loss' caption in the statement of financial position includes investment securities, the aim of which is a trading.

(k) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(i)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- the Bank recognises a loss allowance (see Note 3(i)).

Provisions for financial liabilities recognized in respect of issued financial guarantee contracts and commitments to provide loans are included in other liabilities.

(l) New standards

A number of new standards are effective for annual periods beginning 1 January 2024, with early application possible. However, the Bank has not made any early transition to the new and amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements.

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);*
- *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1);*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).*

The new amendments to the standards, effective from 1 January 2023, did not have any impact on the Bank's financial statements.

4 Net interest income

	2023 '000 KZT	2022 '000 KZT
Interest income		
Interest income calculated using the effective interest method		
Cash and cash equivalents	63,206,986	49,923,965
Investment securities	20,292,913	7,600,200
Loans to customers	18,545,063	11,679,039
Placements with banks	1,654,457	-
	103,699,419	**69,203,204**
Other interest income		
Financial assets at fair value through profit or loss	4,210,179	1,057,636
	4,210,179	**1,057,636**
Interest expense		
Current accounts and deposits from customers	15,698,870	10,755,752
Deposits and balances from banks and other financial institutions	1,942,614	583,677
Amounts payable under repurchase agreements	1,201,374	1,020,967
Operating lease	21,898	13,101
	18,864,756	**12,373,497**
Net interest income	**89,044,842**	**57,887,343**

5 Fee and commission income

	2023 '000 KZT	2022 '000 KZT
Transfers	1,531,972	1,297,267
Custodian fees	1,009,926	902,419
Guarantees issued	895,414	682,921
Letters of credit provided	342,456	174,397
Brokerage fees	176,446	124,516
Accounts maintenance	30,459	116,009
Credit cards	17,733	28,529
Other	7,526	1,525
	4,011,932	**3,327,583**

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

6 Fee and commission expense

	2023 '000 KZT	2022 '000 KZT
Guarantee and letter of credit issuance fees	548,579	510,229
Credit cards	75,360	115,761
Custodian fees	-	18,585
Other	686,558	499,235
	1,310,497	**1,143,810**

7 Net foreign exchange gain

	2023 '000 KZT	2022 '000 KZT
Net forex trading gain	74,309,323	62,897,098
Revaluation of foreign currency denominated instruments	(10,963,967)	7,434,904
	63,345,356	**70,332,002**

Concentrations of net forex exchange gain

In 2023, the Bank had 2 customers (2022: 1 customer) with whom net forex exchange gain exceeded 5% of equity. Total net forex trading gain with these counterparties amounted to KZT 29,480,604 thousand (2022: KZT 20,863,649 thousand).

8 Impairment charge on debt financial assets and credit related commitments

	2023 '000 KZT	2022 '000 KZT
Cash and cash equivalents (Note 11)	(154,370)	(78,273)
Placements with banks (Note 12)	(163,689)	-
Investment securities (Note 15)	(20,821)	50,317
Loans to customers (Note 16)	(34,632)	(250,489)
Loan commitments and financial guarantee contracts (Note 24)	35,000	(15,612)
Other	(1,707)	(24,999)
	(340,219)	**(319,056)**

9 General administrative expenses

	2023 '000 KZT	2022 '000 KZT
Administrative support provided by related banks	10,245,319	6,979,176
Employee compensation	4,693,090	3,760,474
Taxes other than on income	2,673,880	1,646,893
Administration	547,580	511,210
Taxes related to employees	353,491	362,869
Depreciation and amortisation	249,241	195,284
Cash collection	232,757	226,667
Professional services	132,446	124,373
Office supplies	119,594	93,745
Communications and information services	118,355	99,652
Depreciation expense on right of use asset	112,184	112,784
Travel expenses	102,943	95,861
Rent	89,982	41,770
Representative expenses	79,219	18,559
Security	2,006	10,070
Advertising and marketing	20,588	11,099
Repairs and maintenance	13,759	27,699
Other	166,565	73,280
	19,952,999	**14,391,465**

Administrative support expenses provided by related banks mainly consist of the following services: business administrative services KZT 3,357,292 thousand, IT services KZT 1,183,705 thousand, system development KZT 668,919 thousand, compliance services KZT 150,429 thousand, finance services KZT 41,960 thousand, audit services 75,928 thousand and other services KZT 1,339,173 thousand (31 December 2022: business administrative services KZT 2,640,237 thousand, IT services KZT 1,955,110 thousand, system development KZT 473,077 thousand, compliance services KZT 521,049 thousand, finance services KZT 329,110 thousand and other services KZT 1,060,594 thousand).

Administrative support expenses also consist of transformational costs KZT 3,427,914 thousand. Services relate to global Citi-wide “Transformation” project aimed at changing Citigroup's business and operating models to simultaneously strengthen risk and controls and improve Citigroup's value to customers, clients and shareholders. Services include introducing upgrades to data and technology infrastructure, development and update of software platforms dealing with various instances of Citigroup's business, implementation and maintenance of an enterprise-wide risk management and compliance risk management program, strengthening internal controls, improving practices relating to data quality and data governance, eliminating manual processes.

Professional services include KZT 43,600 thousand excluding VAT fees for the audit of the Bank's financial statements (including non-audit services for support in the translation of financial statements into Russian, formatting and proofreading), prepared in accordance with IFRS Accounting Standards for the year ended 31 December 2023.

10 Income tax expense

	2023 ’000 KZT	2022 ’000 KZT
Current tax expense		
Current year	21,150,288	22,339,517
Overprovided in prior years	-	45,717
	21,150,288	**22,385,234**
Deferred tax expense		
Origination and reversal of temporary differences	414,971	(254,411)
Total income tax expense	**21,565,259**	**22,130,823**

Reconciliation of effective tax rate:

	2023		2022	
	’000 KZT	%	’000 KZT	%
Profit before tax	**132,030,024**	**100**	**122,328,374**	**100**
Income tax at the applicable tax rate	26,406,005	20.00	24,465,675	20.00
Current tax expense over provided in prior years	-	-	45,718	0.04
Non-taxable income on securities	(5,374,318)	(4.07)	(1,510,619)	(1.24)
Non-deductible expenses	533,572	0.40	269,435	0.22
Change in unrecognised deferred tax assets	-	-	(1,139,386)	(0.93)
	21,565,259	**16.33**	**22,130,823**	**18.09**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2023 and 31 December 2022.

Deferred tax assets in relation to carry-forward of losses on undeliverable derivatives were utilized in 2022 and decreased relevant profits on these instruments for tax accounting purposes. In accordance with it.12 art.300 of the Kazakhstan Tax Code, losses on derivatives used for purposes other than hedging or delivery of base asset are compensated by income on derivatives used for purposes other than hedging or delivery of base asset. If such loss cannot be compensated in the period it occurred, it can be carried forward to next ten years inclusively and be compensated by income on derivatives used for purposes other than hedging or delivery of base asset. In 2022 the Bank received profits on such undeliverable derivatives, also the Bank keeps accounting of losses on derivatives in a separate cumulative tax register that complies with Art.215 of the Kazakhstan Tax Code, therefore such losses were fully utilized for tax accounting purposes.

The Bank's applicable tax rate in 2023 is the income tax rate of 20% for Kazakhstan companies (2022: 20%). Movements in temporary differences during the years ended 31 December 2023 and 31 December 2022 are presented as follows:

’000 KZT	Balance 1 January 2023	Recognised in profit or loss	Balance 31 December 2023
Financial instruments at fair value through profit or loss	(108,579)	(374,318)	(482,897)
Property and equipment	(56,604)	(2,372)	(58,976)
Right-of-use asset	(40,116)	49,065	8,949
Other assets	199,814	29	199,843
Lease liability	40,117	(87,375)	(47,258)
Total deferred tax assets	**34,632**	**(414,971)**	**(380,339)**
Unrecognised deferred tax asset	-	-	-
Recognised deferred tax assets/(liabilities)	**34,632**	**(414,971)**	**(380,339)**

’000 KZT	Balance 1 January 2022	Recognised in profit or loss	Balance 31 December 2022
Financial instruments at fair value through profit or loss	(287,304)	178,725	(108,579)
Property and equipment	(53,974)	(2,630)	(56,604)
Right-of-use asset	(42,625)	2,509	(40,116)
Other assets	124,007	75,808	199,814
Tax losses carry forward on non-deliverable derivatives	1,139,387	(1,139,387)	-
Lease liability	40,117	-	40,117
Total deferred tax assets	**919,608**	**(884,976)**	**34,632**
Unrecognised deferred tax asset	(1,139,387)	1,139,387	-
Recognised deferred tax assets	**(219,779)**	**254,411**	**34,632**

11 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year are composed of the following items:

	31 December 2023 ’000 KZT	31 December 2022 ’000 KZT
Current accounts and Placements with the National Bank of the Republic of Kazakhstan	**494,172,410**	**1,105,999,491**
Current accounts:		
- rated AA- to AA+	626	2,139
- rated A- to A+	88,009,843	18,891,817
- non-rated	17,603,441	7,313,746
Total current accounts with banks	**105,613,910**	**26,207,702**
	599,786,320	**1,132,207,193**
Loss allowances	(205,850)	(84,173)
Total cash and cash equivalents	**599,580,470**	**1,132,123,020**

Ratings are based on Standard and Poor's rating system.

None of the cash and cash equivalents are credit-impaired or past due. All amounts of cash and cash equivalents are classified into Stage 1 for the purpose of loss allowance determination.

Reconciliations from the opening to the closing balances of the loss allowance represented in below table.

	2023	
’000 KZT	**Stage 1**	**Total**
Cash and cash equivalents		
Balance at 1 January	84,173	84,173
Net remeasurement of loss allowance	154,370	154,370
Foreign exchange and other movements	(32,693)	(32,693)
Balance at 31 December	**205,850**	**205,850**

	2022	
’000 KZT	**Stage 1**	**Total**
Cash and cash equivalents		
Balance at 1 January	5,876	5,876
Net remeasurement of loss allowance	78,273	78,273
Foreign exchange and other movements	24	24
Balance at 31 December	**84,173**	**84,173**

No significant changes in the gross carrying amount of financial instruments during the period that contributed to changes in loss allowance.

Concentration of cash and cash equivalents

As at 31 December 2023 the Bank has 4 organizations (2022: no bank except for the NBRK) whose balances exceed 10% of equity, carrying amount of which is KZT 592,980,205 thousand as at 31 December 2023 (2022: KZT 1,105,999,491 thousand).

Current accounts amounting to KZT 89,703,684 thousand as at 31 December 2023 (2022: KZT 19,263,657 thousand) are placed with entities of Citigroup Inc. No overnight placements.

On 31 December 2023 the Bank pledged a margin deposit as collateral for the fulfillment of obligations under derivative financial instruments in the amount of KZT 15,911,718 thousand (31 December 2022: KZT 6,941,906 thousand), including a deposit on the Kazakhstan Stock Exchange (“KASE”) in the amount of KZT 15,909,600 thousand (31 December 2022: KZT 6,939,750 thousand), which is disclosed as “Non-rated”.

Minimum reserve requirements of the National Bank of the Republic of Kazakhstan

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the four-week period calculated as certain minimum level of residents’ and non-residents’ customer deposits and current accounts balances as well as other bank liabilities. As at 31 December 2023 the minimum reserve requirements equaled KZT 23,799,893 thousand (31 December 2022: KZT 29,939,003 thousand).

12 Placements with banks

Placements with banks at the end of the financial year are composed of the following items:

	31 December 2023 ’000 KZT	31 December 2022 ’000 KZT
Placements with the National Bank of the Republic of Kazakhstan	212,999,965	-
Total current accounts with banks	**212,999,965**	**-**
Loss allowances	(163,689)	-
Total cash and cash equivalents	**212,836,276**	**-**

None of the placements with banks are credit-impaired or past due. All amounts of placements with banks are classified into Stage 1 for the purpose of loss allowance determination.

Reconciliations from the opening to the closing balances of the loss allowance represented in below table.

	2023		2022
’000 KZT	**Stage 1**	**Total**	**Total**
Placements with banks			
Balance at 1 January	-	-	-
Net remeasurement of loss allowance	163,689	163,689	-
Foreign exchange and other movements	-	-	-
Balance at 31 December	**163,689**	**163,689**	**-**

13 Derivative instruments at fair value through profit or loss

	31 December 2023 ’000 KZT	31 December 2022 ’000 KZT
Assets		
Derivative financial instruments		
Forward exchange contracts	3,694,062	3,454,917
Liabilities		
Derivative financial instruments		
Forward exchange contracts	249,829	1,066,555

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at 31 December 2023 and 31 December 2022 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, have been recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount				Weighted average contracted exchange rates	
	2023 ’000 KZT		2022 ’000 KZT			
	Receivables	**Payables**	**Receivables**	**Payables**	**2023**	**2022**
Buy USD sell KZT						
Less than three months	189,767,846	(188,743,265)	80,310,405	(80,611,096)	452.11	467.84
Between three months and one year	1,941,800	(2,020,010)	-	-	485.45	-
Sell USD buy KZT						
Less than three months	171,386,220	(169,403,969)	207,104,078	(204,722,614)	460.51	468.38
Between three months and one year	5,527,991	(5,291,375)	2,837,942	(2,703,718)	492.29	510.31
Buy KZT sell EUR						
Less than three months	1,039,292	(1,029,262)	2,904,881	(2,898,147)	512.37	502.32
Between three months and one year	2,749,921	(2,489,614)	-	-	578.98	-
Buy EUR sell USD						
Less than three months	1,065,384	(1,041,255)	48,251,525	(48,238,688)	1.08	1.07
Between three months and one year	2,542,698	(2,549,429)	-	-	1.11	-
Buy USD sell EUR						
Less than three months	-	-	851,360	(923,601)	-	1.02
Buy KZT sell RUB						
Less than three months	-	-	4,381,671	(4,415,312)	-	6.47
Buy RUB sell USD						
Less than three months	224,865	(224,196)	4,364,336	(4,106,756)	90.25	77.22

	Notional amount				Weighted average contracted exchange rates	
	2023 ’000 KZT		2022 ’000 KZT			
	Receivables	Payables	Receivables	Payables	2023	2022
Buy other currencies sell KZT						
Less than three months	354,765	(331,055)	20,336	(20,429)	42.55	45.50
Between three months and one year	2,296,758	(2,195,981)	836,136	(837,720)	47.03	49.50
Buy USD sell other currencies						
Less than three months	338,009	(372,795)	22,662	(22,569)	11.13	5.72
Between three months and one year	2,282,013	(2,381,123)	864,682	(861,002)	10.42	10.23
	381,517,562	**(378,073,329)**	**352,750,014**	**(350,361,652)**		
Net		**3,444,233**		**2,388,362**		

The following table provides information on the credit quality of foreign currency contracts, which are assets:

	2023 ’000 KZT	2022 ’000 KZT
Large OECD banks	2,303,168	2,583,460
Medium and small Kazakhstan companies	1,390,894	871,457
	3,694,062	**3,454,917**

No financial instruments at fair value through profit or loss are past due as at 31 December 2023 (2022: none).

14 Financial assets at fair value through profit or loss

	31 December 2023 ’000 KZT	31 December 2022 ’000 KZT
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan (Country sovereign rating: BBB-)	29,601,817	2,400,023
Other investments	2,200	2,200
	29,604,017	**2,402,223**

15 Investment securities

	31 December 2023 ’000 KZT	31 December 2022 ’000 KZT
Investment securities at fair value through other comprehensive income		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan (Country sovereign rating: BBB-)	101,577,525	65,540,168
	101,577,525	**65,540,168**
Allowance for expected credit losses	(59,814)	(38,993)
Net investment securities at fair value through other comprehensive income	**101,577,525**	**65,540,168**

The credit ratings are presented with reference to the credit ratings of Standard&Poor’s credit ratings agency or analogues of similar international agencies.

No assets are past due or credit-impaired as at 31 December 2023 (2022: none). All investment securities are classified into Stage 1 for the purpose of loss allowance determination.

No assets were pledged for REPO transactions as at 31 December 2023 (As at 31 December 2022: KZT 51,506,140 thousand).

Analysis of movements in loss allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance on investment securities at FVOCI.

	2023	
’000 KZT	**Stage 1**	**Total**
Balance at 1 January	38,993	38,993
Net remeasurement of loss allowance	-	(18,312)
Financial assets that have been sold/matured	(38,993)	(20,681)
New financial assets purchased	59,814	59,814
Balance at 31 December	**59,814**	**59,814**

	2022	
’000 KZT	**Stage 1**	**Total**
Balance at 1 January	89,310	89,310
Net remeasurement of loss allowance	(37,995)	(37,995)
Financial assets that have been sold/matured	(12,322)	(12,322)
New financial assets purchased	-	-
Balance at 31 December	**38,993**	**38,993**

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

16 Loans to customers

	31 December 2023 ’000 KZT	**31 December 2022 ’000 KZT**
Loans to large corporates	126,572,884	124,764,254
	126,572,884	**124,764,254**
Loss allowances	(312,934)	(281,317)
Loans to customers	**126,259,950**	**124,482,937**

(a) Analysis of movements in loss allowance

The following tables provide reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2023			
’000 KZT Loans to large corporates	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 January	**232,466**	**48,851**	**-**	**281,317**
Net change of loss allowance	4,686	(48,850)	-	(44,164)
New financial assets originated or purchased	78,796	-	-	78,796
Foreign exchange and other movements	(3,015)	-	-	(3,015)
Balance at 31 December	**312,933**	**1**	**-**	**312,934**

’000 KZT Loans to large corporates	2022 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	**29,383**	**1,052**	**-**	**30,435**
Net remeasurement of loss allowance	(29,200)	(1,052)	-	(30,252)
New financial assets originated or purchased	231,890	48,851	-	280,741
Foreign exchange and other movements	393	-	-	393
Balance at 31 December	**232,466**	**48,851**	**-**	**281,317**

During the year ended 31 December 2023 most loans were repaid due to the short-term nature of the loans and the amount of KZT 122,332,987 thousand were newly issued (2022: KZT 119,460,232 thousand). That change in gross amount of loans issued to corporate customers contributed to the change in loss allowance.

No contractual amount outstanding on financial assets that were written-off during the year ended 31 December 2023 and 31 December 2022 and that are still subject to enforcement activity.

(b) Credit quality analysis

The Bank has an internal risk rating system that accurately and reliably differentiates between degrees of credit risk for classifiable managed exposures.

To differentiate among degrees of credit risk, the Bank must be able to make meaningful and consistent distinctions among credit exposures along two dimensions:

- default risk - obligors are assigned to rating grades that approximately reflect likelihood of default, and
- loss severity rating grades (or loss given default estimates) that approximately reflect the loss severity expected in the event of default during economic downturn conditions.

The Obligor Risk Rating (ORR) represents the probability that an obligor will default within a one-year time horizon. Risk ratings for obligors are assigned on a scale of 1 to 10, with sub-grades, where “1” is the best quality risk and “7” is the worst for obligors that are not in default. ORRs of “8” to “10” are assigned to obligors meeting the definition of default: i.e. the obligor is either 90 days past due on material exposure to the Bank and/or the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realizing security (if held), collecting against a guarantee or other forms of support, or filing a claim against the insurer.

Obligors assigned ORR of “4-” and better are considered Investment Grade obligors, which have low default risk based on their strength of capacity to meet financial commitments.

The table below provides an indicative comparison of the Bank's internal risk ratings with Standard & Poor's PD and external credit ratings.

Risk Rating		Average Probability of Default (%)	External Rating
Rating 1 to 4-:	Investment Grade	0.00 - 0.34	AAA to BBB-
Rating 5+ to 6-:	Non-investment Grade	0.89 - 2.16	BB+ to B-
Rating 7+ to 7-:	Higher Risk	16.64 to 22.13	CCC+ to CCC-
Rating 8 to 10:	Credit Impaired	Loss estimate on individual basis	to SD/D

The following tables provide information on the credit quality of loans issued to customers:

’000 KZT	2023 Stage 1	Stage 2	Total
Loans to customers			
Rating 1 to 4-	34,523,348	-	34,523,348
Rating 5+ to 6-	92,048,808	728	92,049,536
Total	**126,572,156**	**728**	**126,572,884**
Expected credit loss	(312,933)	(1)	(312,934)
Balance as at 31 December 2023	**126,259,223**	**727**	**126,259,950**

	2022		
’000 KZT	**Stage 1**	**Stage 2**	**Total**
Loans to customers			
Rating 1 to 4-	64,417,864	-	64,417,864
Rating 5+ to 6-	52,173,313	8,173,077	60,346,390
Total	**116,591,177**	**8,173,077**	**124,764,254**
Expected credit loss	(232,466)	(48,851)	(281,317)
Balance as at 31 December 2022	**116,358,711**	**8,124,226**	**124,482,937**

The Bank has no overdue loans as at 31 December 2023 (2022: nil).

(c) Analysis of collateral

(i) Loans to large corporates

The following tables provide information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2023	**Loans to customers, carrying amount ’000 KZT**	**Fair value of collateral not determined ’000 KZT**
Guarantees from related parties	101,975,963	101,975,963
Third party guarantees	13,053,219	13,053,219
No collateral	11,230,768	-
Total loans to large corporates	**126,259,950**	**115,029,182**

31 December 2022	**Loans to customers, carrying amount ’000 KZT**	**Fair value of collateral not determined ’000 KZT**
Guarantees from related parties	89,921,301	89,921,301
Third party guarantees	25,655,369	25,655,369
No collateral	8,906,267	-
Total loans to large corporates	**124,482,937**	**115,576,670**

Third party guarantees are mainly provided by large Kazakhstan state-owned corporations or by headquarters of international corporations operating in Kazakhstan. Bank does not accept any type of collateral as security for meeting the obligations, except of cash coverage for guarantees and letters of credit.

(d) Industry and geographical analysis of the loan portfolio

Loans and advances to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	31 December 2023 ’000 KZT	**31 December 2022 ’000 KZT**
Trade	61,448,797	56,816,574
Finance	23,509,815	17,286,641
Agriculture	19,272,318	12,163,920
Transportation	13,095,070	12,746,381
Manufacturing	6,876,105	25,638,063
Leasing	2,278,451	-
Miscellaneous services	91,987	112,536
Food production	341	139
	126,572,884	**124,764,254**
Loss allowance	(312,934)	(281,317)
Carrying amount	**126,259,950**	**124,482,937**

(e) Significant credit exposures

As at 31 December 2023 the Bank had 4 borrowers (2022: 2), whose loan balances exceeded 10% of equity. The gross value of these loans as at 31 December 2023 was KZT 65,423,154 thousand (2022: KZT 43,724,107 thousand).

17 Property, equipment and intangible assets

’000 KZT	Offices and leasehold improvements	Computers	Fixtures and fittings	Vehicles	Computer software	Right-of-use assets	Total
Cost							
Balance at 1 January 2022	**768,769**	**83,793**	**719,466**	**153,675**	**124,165**	**396,902**	**2,246,770**
Additions	-	-	202,921	-	-	-	202,921
Disposals	-	(17,675)	(1,820)	-	-	-	(19,495)
Balance at 31 December 2022	**768,769**	**66,118**	**920,567**	**153,675**	**124,165**	**396,902**	**2,430,196**
Additions	-	222,361	148,141	-	-	248,131	618,633
Disposals	(166)	(32,128)	(36,428)	(5,574)	-	(147,183)	(221,479)
Balance at 31 December 2023	**768,603**	**256,351**	**1,032,280**	**148,101**	**124,165**	**497,850**	**2,827,350**
Depreciation							
Balance at 1 January 2022	**(339,353)**	**(81,471)**	**(371,593)**	**(38,862)**	**(124,165)**	**(183,773)**	**(1,139,217)**
Depreciation and amortisation charge	(35,978)	(2,322)	(127,364)	(29,620)	-	(112,784)	(308,068)
Disposals	-	17,675	1,820	-	-	-	19,495
Balance at 31 December 2022	**(375,331)**	**(66,118)**	**(497,137)**	**(68,482)**	**(124,165)**	**(296,557)**	**(1,427,790)**
Depreciation and amortisation charge	(35,911)	(30,819)	(152,891)	(29,620)	-	(112,184)	(361,425)
Disposals	166	32,128	36,428	5,574	-	147,183	221,479
Balance at 31 December 2023	**(411,076)**	**(64,809)**	**(613,600)**	**(92,528)**	**(124,165)**	**(261,558)**	**(1,567,736)**
Net book value at 1 January 2023	**393,438**	**-**	**423,430**	**85,193**	**-**	**100,345**	**1,002,406**
Net book value at 31 December 2023	**357,527**	**191,542**	**418,680**	**55,573**	**-**	**236,292**	**1,259,614**

18 Other assets and liabilities

Below is the breakdown of other assets:

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
Debtors under letters of credit and guarantees	8,603,143	-
Debtors for banking activities	130,467	126,096
Settlements with professional securities market participants	55,000	53,000
Accrued commission income	1,895	2,897
Other financial assets	80,712	1,105
Total financial assets	**8,871,217**	**183,098**
Prepayments	210,375	216,752
Receivables from employees	17,590	25,355
Total non-financial assets	**227,965**	**242,107**
Total other assets	**9,099,182**	**425,205**

Below is the breakdown of other liabilities:

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
Debtors under letters of credit and guarantees	2,637,808	-
Payables to employees	782,276	810,154
Lease liabilities	218,371	94,023
Other financial liabilities	134,204	51,577
Accrued commission expense	48,832	63,322
Issued guarantees	41,163	27,698
Other creditors for banking activities	3,659	49,071
Total financial liabilities	**3,866,313**	**1,095,845**
Taxes other than income tax	1,725,821	742,586
Future period income	157,552	9,637
Vacation reserve	144,044	67,535
Loss allowance on contingent liabilities	36,069	71,583
Other non-financial liabilities	-	25,000
Total non-financial liabilities	**2,063,486**	**916,341**
Total other liabilities	**5,929,799**	**2,012,186**

19 Deposits and balances from banks and other financial institutions

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
Vostro accounts	10,204,648	15,560,510
Term deposits	15,847,644	71,159,493
	26,052,292	**86,720,003**

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2023 the Bank has 1 financial institution (2022: Bank has 1 financial institution), whose balances exceed 10% of equity. The balances on accounts and deposits of these banks and other financial institutions as at 31 December 2023 was KZT 15,932,547 thousand (2022: KZT 71,777,612 thousand).

20 Current accounts and deposits from customers

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
Current accounts and demand deposits		
- Corporate	667,460,425	894,633,261
- Retail	3,130	3,134
Term deposits		
- Corporate	262,872,953	161,527,061
	930,336,508	**1,056,163,456**

Concentrations of current accounts and customer deposits

As at 31 December 2023, the Bank had 13 customers (2022: 13 customers) whose balances exceeded 10% of equity. These balances as at 31 December 2023 amount to KZT 387,633,093 thousand (2022: KZT 490,850,866 thousand).

The customers did not have minimum balance requirement for current accounts and deposits from customers for both years.

21 Equity

(a) Issued capital

The authorised, issued and outstanding share capital comprises 621 ordinary shares (2022: 621). All shares have a par value of KZT 20,125 thousand. During 2023 the Bank did not issue ordinary shares (2022: nil).

(b) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS Accounting Standards or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. Under Kazakhstan legislation, as at the reporting date, reserves available for distribution amounted to KZT 110,464,768 thousand (2022: KZT 121,198,517 thousand). During 2023 there were dividends declared and paid-in the total amount of KZT 121,198,514 thousand (2022: KZT 93,000,000 thousand).

Summary of dividends declared and paid in during 2023 and 2022 is presented as follows:

’000 KZT	Amount of dividends declared and paid-in	Dividend per share
Declared on 30/03/2023 and paid on 31 March 2023	21,000,963	33,818
Declared on 25/05/2023 and paid on 26 May 2023	25,049,388	40,337
Declared on 18/08/2023 and paid on 18 August 2023	25,049,388	40,337
Declared on 28/09/2023 and paid on 28 September 2023	25,049,388	40,337
Declared on 24/11/2023 and paid on 24 November 2023	25,049,387	40,337
	121,198,514	

’000 KZT	Amount of dividends declared and paid-in	Dividend per share
Declared on 28/06/2022 and paid on 29 June 2022	20,000,000	32,206
Declared on 30/08/2022 and paid on 31 August 2022	30,000,000	48,309
Declared on 28/11/2022 and paid on 29 November 2022	43,000,000	69,243
	93,000,000	

22 Risk management

Risk Management is fundamental to the Bank’s business and is an essential element of the Bank’s operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Bank is responsible for monitoring and implementing risk mitigation measures and ensuring that the Bank operates within established risk parameters.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

The Bank calculates mandatory ratios on a daily basis in accordance with the requirement of the NBRK. As at 31 December 2023 and 2022 the mandatory ratios were in compliance with limits set by the NBRK.

(b) Market risk

Market risk - the probability of financial losses on balance sheet and off-balance sheet items from adverse changes in the market situation, expressed in changes in market interest rates, foreign exchange rates, market value of financial instruments and other. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

’000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2023							
ASSETS							
Cash and cash equivalents	441,255,183	-	-	-	-	158,325,287	599,580,470
Placements with banks	-	183,262,730	29,573,546	-	-	-	212,836,276
Loans to customers	73,298,923	40,579,857	9,388,985	2,992,185	-	-	126,259,950
Investment securities	37,637,635	101,500	-	63,838,343	48	-	101,577,525
Financial assets at fair value through profit or loss	928,428	626,013	203,341	27,806,519	37,516	2,200	29,604,017
	553,120,169	**224,570,100**	**39,165,872**	**94,637,047**	**37,563**	**158,327,487**	**1,069,858,238**
LIABILITIES							
Deposits and balances from banks and other financial institutions	15,824,432	-	-	-	-	10,227,860	26,052,292
Current accounts and deposits from customers	259,233,587	60,520	1,000,667	-	-	670,041,734	930,336,508
	275,058,019	**60,520**	**1,000,667**	**-**	**-**	**680,269,594**	**956,388,800**
	278,062,150	**224,509,580**	**38,165,205**	**94,637,047**	**37,563**	**(521,942,107)**	**113,469,438**

’000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2022							
ASSETS							
Cash and cash equivalents	743,070,188	-	-	-	-	389,052,832	1,132,123,020
Loans to customers	76,639,210	33,514,059	10,391,962	3,937,706	-	-	124,482,937
Investment securities	-	47,361,942	18,178,226	-	-	-	65,540,168
Financial assets at fair value through profit or loss	-	-	-	2,400,023	-	2,200	2,402,223
	819,709,398	**80,876,001**	**28,570,188**	**6,337,729**	**-**	**389,055,032**	**1,324,548,348**
LIABILITIES							
Deposits and balances from banks and other financial institutions	71,128,153	-	-	-	-	15,591,850	86,720,003
Amounts payable under repurchase agreements	51,545,865	-	-	-	-	-	51,545,865
Current accounts and deposits from customers	148,180,698	60,548	-	-	-	907,922,210	1,056,163,456
	270,854,716	**60,548**	**-**	**-**	**-**	**923,514,060**	**1,194,429,324**
	548,854,682	**80,815,453**	**28,570,188**	**6,337,729**	**-**	**(534,459,028)**	**130,119,024**

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2023 and 2022.

	2023 Average effective interest rate, %			2022 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	15.43	4.83	-	16.56	4.25	0.42
Placements with banks	-	5.08	-	-	-	-
Loans to customers	17.46	7.87	5.43	17.76	5.32	-
Investment securities	10.38	-	-	6.28	-	-
Financial assets at fair value through profit and loss	13.11	-	-	13.33	-	-
Interest bearing liabilities						
Deposits and balances from banks and other financial institutions						
- Term deposits	12.63	-	-	13.5	4.32	-
Current accounts and deposits from customers						
- Term deposits	9.63	0.89	0.50	8.21	0.12	0.50

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2023 and 31 December 2022, is as follows:

	2023		2022	
'000 KZT	**Net income**	**Equity**	**Net income**	**Equity**
100 bp parallel increase	3,145,313	3,145,313	4,303,200	4,303,200
100 bp parallel decrease	(3,145,313)	(3,145,313)	(4,303,200)	(4,303,200)

Fair value interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and investment securities due to changes in the interest rates, based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2023		2022	
'000 KZT	**Net income**	**Equity**	**Net income**	**Equity**
100 bp parallel increase	(558,237)	(682,634)	(23,180)	(191,469)
100 bp parallel decrease	577,834	687,380	23,699	193,011

(d) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank's exposure to currency risk at year end refer to Note 29.

An analysis of sensitivity of the Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a +/-20% change in USD and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2023		**2022**	
'000 KZT	**Net income**	**Equity**	**Net income**	**Equity**
20% appreciation of USD against KZT (2022: 20%)	(257,680)	(257,680)	(941,539)	(941,539)
20% depreciation of USD against KZT (2022: 20%)	257,680	257,680	941,539	941,539
20% appreciation of other currencies against KZT (2022: 20%)	40,570	40,570	(1,638)	(1,638)
20% depreciation of other currencies against KZT (2022: 20%)	(40,570)	(40,570)	1,638	1,638

(e) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee which approves credit extension. The Bank's credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of corporate borrowers and/or issuers;
- methodology for the credit assessment of counterparties;
- methodology for the evaluation of collateral;
- credit documentation requirements.

Credit approval requests are originated by the relevant client managers and are then passed for approval to the Credit Committee in form of Credit Package. Client manager collects inputs from Credit Risk, Legal and Compliance to form the credit package. The Credit Committee reviews the Credit Approval requests on the basis of submissions by the Corporate Business.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts and pre-settlement value of derivative transactions. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant. The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 24.

The Bank monitors concentrations of credit risk by type of obligors and by industry/sector. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 16 "Loans to customers".

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
ASSETS		
Cash and cash equivalents	599,580,470	1,132,123,020
Placements with banks	212,836,276	-
Investment securities	101,577,525	65,540,168
Loans to customers	126,259,950	124,482,937
Derivative instruments at fair value through profit or loss	3,694,062	3,454,917
Financial assets at fair value through profit or loss	29,604,017	2,402,223
Other financial assets	8,871,217	183,098
Total maximum exposure	**1,073,552,300**	**1,328,003,265**

(f) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the statement of financial position.

The Bank conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement, and that the Bank meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Bank will process receivables and payables in a single settlement process or cycle.

The Bank receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the International Derivative Swaps and Dealers Association (ISDA) Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2023:

’000 KZT Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position Financial instruments**	**Net amount**
Derivative instruments at fair value through profit or loss - assets	3,694,062	-	3,694,062	(249,829)	3,444,233
Derivative instruments at fair value through profit or loss - liabilities	(249,829)	-	(249,829)	249,829	-

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2022:

’000 KZT Types of financial assets/liabilities	**Gross amounts of recognised financial asset/liability**	**Gross amount of recognised financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position Financial instruments**	**Net amount**
Derivative instruments at fair value through profit or loss - assets	3,454,917	-	3,454,917	(1,066,555)	2,388,362
Derivative instruments at fair value through profit or loss - liabilities	(1,066,555)	-	(1,066,555)	1,066,555	-
Amounts payable under repurchase agreements	(51,545,865)	-	(51,545,865)	51,506,140	(39,725)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

- derivative assets and liabilities – fair value;
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

(g) Liquidity risk

Liquidity risk is the probability that financial losses occur as a result of the Bank's inability to fulfil its obligations in a timely manner without significant losses. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/-or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Bank maintains the necessary level of liquidity in order to constantly ensure the availability of funds to pay its obligations. The Bank's liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising short-term deposits from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity risk management policy establishes an effective process for identifying, assessing, monitoring and controlling liquidity risk. The liquidity risk management policy also defines the requirements for:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diversified structure of funding sources;
- managing the concentration and structure of borrowed funds;
- developing an annual funding and liquidity plan and a contingency plan;
- intraday liquidity management;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as a protective measure in the event of a break in a cash liquidity;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the NBRK. The Bank was in compliance with these ratios as at 31 December 2023 and 2022.

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, short-term state securities for which there is a liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Bank believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers' accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customer accounts provide a long-term and stable source of funding.

The following tables show the undiscounted cash flows of non-derivative financial liabilities, on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability.

Management expects that the cash flows for certain financial liabilities may differ from those specified in the contracts, either because management has the power to manage the cash flows or because past experience indicates that the timing of the cash flows of those financial liabilities may differ from those stipulated in the contracts.

The maturity analysis for financial liabilities as at 31 December 2023 can be presented as follows:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Gross cash inflow (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	26,218,847	-	-	-	-	26,218,847	26,052,292
Current accounts and deposits from customers	931,099,909	-	95,893	1,040,694	-	932,236,496	930,336,508
Other financial liabilities	1,228,505	-	2,637,808	-	-	3,866,313	3,866,313
Derivatives							
- Inflow	(64,016,842)	(475,452)	(4,484,498)	(2,282,013)	-	(71,258,805)	-
- Outflow	64,078,121	479,951	4,569,439	2,381,123	-	71,508,634	249,829
Total	**958,608,540**	**4,499**	**2,818,642**	**1,139,804**	**-**	**962,571,485**	**960,504,942**
Credit related commitments	**76,787,688**	**-**	**-**	**-**	**-**	**76,787,688**	**-**

The maturity analysis for financial liabilities as at 31 December 2022 can be presented as follows:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Gross cash inflow (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	86,766,146	-	-	-	-	86,766,146	86,720,003
Current accounts and deposits from customers	1,053,432,415	2,871,818	61,761	-	-	1,056,365,994	1,056,163,456
Other financial liabilities	1,095,845	-	-	-	-	1,095,845	1,095,845
Derivatives							
- Inflow	(95,687,670)	(21,278,284)	-	(836,136)	-	(117,802,090)	-
- Outflow	96,249,833	21,781,092	-	837,720	-	118,868,645	1,066,555
Total	**1,141,856,569**	**3,374,626**	**61,761**	**1,584**	**-**	**1,145,294,540**	**1,145,045,859**
Credit related commitments	**60,642,514**	**-**	**-**	**-**	**-**	**60,642,514**	**-**

The following table provides an analysis of the amounts (by expected maturities) recognized in the statement of financial position as at 31 December 2023:

’000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets							
Cash and cash equivalents	599,580,470	-	-	-	-	-	599,580,470
Placements with banks	-	-	212,836,276	-	-	-	212,836,276
Loans to customers	31,560,199	41,738,724	49,968,842	2,992,185	-	-	126,259,950
Derivative instruments at fair value through profit or loss	2,572,611	523,751	597,700	-	-	-	3,694,062
Financial assets at fair value through profit or loss	503,497	424,931	829,353	27,806,519	37,517	2,200	29,604,017
Investment securities	29,467,468	8,170,167	101,500	63,838,342	48	-	101,577,525
Other assets	494,394	4,718,091	3,886,697	-	-	-	9,099,182
Total assets	**664,178,639**	**55,575,664**	**268,220,368**	**94,637,046**	**37,565**	**2,200**	**1,082,651,482**
Liabilities							
Derivative instruments at fair value through profit or loss	61,279	4,500	184,050	-	-	-	249,829
Deposits and balances from banks and other financial institutions	26,052,292	-	-	-	-	-	26,052,292
Current accounts and deposits from customers	929,275,321	-	1,061,187	-	-	-	930,336,508
Other liabilities	3,136,428	87,995	2,705,376	-	-	-	5,929,799
Total liabilities	**958,525,320**	**92,495**	**3,950,613**	**-**	**-**	**-**	**962,568,428**

The following table provides an analysis of the amounts (by expected maturities) recognized in the statement of financial position as at 31 December 2022:

'000 KZT	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets							
Cash and cash equivalents	1,085,839,055	46,283,965	-	-	-	-	1,132,123,020
Loans to customers	51,084,053	25,555,157	43,906,021	3,937,706	-	-	124,482,937
Derivative instruments at fair value through profit or loss	2,816,926	500,085	137,906	-	-	-	3,454,917
Financial assets at fair value through profit or loss	-	-	-	2,400,023	-	2,200	2,402,223
Investment securities	-	-	65,540,168	-	-	-	65,540,168
Other assets	425,205	-	-	-	-	-	425,205
Total assets	**1,140,165,239**	**72,339,207**	**109,584,095**	**6,337,729**	**-**	**2,200**	**1,328,428,470**
Liabilities							
Derivative instruments at fair value through profit or loss	562,163	502,808	1,584	-	-	-	1,066,555
Deposits and balances from banks and other financial institutions	86,720,003	-	-	-	-	-	86,720,003
Current accounts and deposits from customers	1,053,232,545	2,870,363	60,548	-	-	-	1,056,163,456
Amounts payable under repurchase agreements	51,545,865	-	-	-	-	-	51,545,865
Other liabilities	2,012,186	-	-	-	-	-	2,012,186
Total liabilities	**1,194,072,762**	**3,373,171**	**62,132**	**-**	**-**	**-**	**1,197,508,065**

23 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of common equity and additional capital. Common equity comprises a share capital in the form of ordinary shares, additional paid-in capital, retained earnings of current year and prior periods and provisions less ordinary treasury shares, intangible assets including goodwill, current year and prior period losses, deferred tax asset less deferred tax liability and other revaluation reserves. Additional capital comprises perpetual financial instruments and paid-in preferred stock less adjustments for the Bank’s investments in its own perpetual financial instruments and preferred treasury stock;
- Tier 2 capital, which comprises the subordinated debt denominated in the national currency, less investments in the subordinated debt of the financial organisations, in which the Bank owns 10% and more of the issued shares (interests in the charter capital) of a legal entity.

The equity is the sum of tier 1 capital, tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

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

- a ratio of common equity to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1);
- a ratio of tier 1 capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1-2);
- a ratio of total capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k2).

As at 31 December 2023, the minimum level of ratios as applicable to the Bank are as follows:

- k1 – 7.5%;
- k1-2 – 8.5%;
- k2 – 10.0%.

The Bank has complied with all externally imposed capital requirements as at 31 December 2023 and 2022.

The following table shows the composition of the Bank’s capital position calculated in accordance with the NBRK Management Board decree #170 dated 13 September 2017, as at 31 December 2023 and 31 December 2022:

	2023 ’000 KZT	**2022 ’000 KZT**
Common equity	124,012,793	132,428,032
Tier 1 capital	124,012,793	132,428,032
Total statutory equity	**124,012,793**	**132,428,032**

	2023 '000 KZT	2022 '000 KZT
Risk-weighed statutory assets, contingent liabilities, operational and market risks		
Risk-weighted statutory assets	145,725,075	129,585,213
Risk-weighted contingent liabilities	68,847,273	52,978,261
Risk weighted derivative financial instruments	5,888,764	5,173,815
Operational risk	80,260,429	52,690,869
Market risk	8,909,850	6,261,063
Total statutory risk weighted assets, contingent liabilities, operational and market risk	**309,631,391**	**246,689,221**
k1 ratio	**40.05%**	**53.70%**
k1-2 ratio	**40.05%**	**53.70%**
k2 ratio	**40.05%**	**53.70%**

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

24 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to ten years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31 December 2023 '000 KZT	31 December 2022 '000 KZT
Contracted amount		
Unused credit related commitments to extend loans to customers		
Committed	8,345,603	8,472,640
Uncommitted	367,079,987	334,321,707
	375,425,590	**342,794,347**
Guarantees and letters of credit	68,442,085	52,169,875
	68,442,085	**52,169,875**

These obligations may be terminated without their partial or complete fulfillment. As a result, the liabilities referred to above do not represent expected cash outflows. The majority of commitments to extend loans and lines of credit do not represent unconditional commitments by the Bank.

As at 31 December 2023 collateralized guarantees and letters of credit covered by protective counter-guarantees was KZT 40,934,289 thousand (2022: KZT 33,401,033 thousand).

The following tables show credit quality analysis of guarantees and letters of credit:

	2023		
'000 KZT	**Stage 1**	**Stage 2**	**Total**
Credit lines on committed loans			
Rating 1 to 4-	7,589,226	-	7,589,226
Rating 5+ to 6-	734,105	22,272	756,377
Balance as at 31 December	**8,323,331**	**22,272**	**8,345,603**
Expected credit loss	(726)	(8)	(734)
Balance at 31 December without loss allowance	**8,322,604**	**22,264**	**8,344,869**

	2022		
'000 KZT	**Stage 1**	**Stage 2**	**Total**
Credit lines on committed loans			
Rating 1 to 4-	7,787,120	-	7,787,120
Rating 5+ to 6-	680,985	4,535	685,520
Balance as at 31 December	**8,468,105**	**4,535**	**8,472,640**
Expected credit loss	(1,072)	(1)	(1,073)
Balance at 31 December without loss allowance	**8,467,033**	**4,534**	**8,471,567**

	2023		
'000 KZT	**Stage 1**	**Stage 2**	**Total**
Guarantees and letters of credit			
Rating 1 to 4-	26,532,062	-	26,532,062
Rating 5+ to 6-	41,910,023	-	41,910,023
Rating 7+ to 7-	-	-	-
Balance as at 31 December	**68,442,085**	**-**	**68,442,085**
Expected credit loss	(35,335)	-	(35,335)
Balance at 31 December without loss allowance	**68,406,750**	**-**	**68,406,750**

	2022		
'000 KZT	**Stage 1**	**Stage 2**	**Total**
Guarantees and letters of credit			
Rating 1 to 4-	36,010,472	-	36,010,472
Rating 5+ to 6-	16,143,727	-	16,143,727
Rating 7+ to 7-	-	15,676	15,676
Balance as at 31 December	**52,154,199**	**15,676**	**52,169,875**
Expected credit loss	(70,432)	(78)	(70,510)
Balance at 31 December without loss allowance	**52,083,767**	**15,598**	**52,099,365**

Reconciliations from the opening to the closing balances of the loss allowance represented in below table (Note 18).

	2023			
'000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	71,504	79	-	71,583
Net remeasurement of loss allowance	(50,472)	(70)	-	(50,542)
New financial assets originated or purchased	15,543	(1)	-	15,542
Foreign exchange and other movements	(513)	-	-	(513)
Balance at 31 December	**36,062**	**8**	**-**	**36,069**

	2022			
’000 KZT	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	36,901	19,804	-	56,705
Net remeasurement of loss allowance	(33,812)	(19,804)	-	(53,616)
New financial assets originated or purchased	69,149	79	-	69,228
Foreign exchange and other movements	(734)	-	-	(734)
Balance at 31 December	**71,504**	**79**	**-**	**71,583**

Concentration of guarantees and letters of credit

As at 31 December 2023 the Bank has 3 customer whose balances exceed 10% of total guarantees and letters of credit (31 December 2022: 4 clients). The balances under guarantees and letters of credit of these customers as at 31 December 2023 was KZT 44,513,787 thousand (2022: KZT 35,253,750 thousand).

25 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank’s operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

26 Custody activities

The Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the statement of financial position.

27 Related party transactions

(a) Control relationships

The Bank is wholly owned by the Shareholder Bank which is ultimately owned by Citigroup Inc., a public company listed on several stock exchanges. Both entities produce publicly available financial statements.

Related parties include the Parent as well as other Citigroup entities, members of the Board of Directors and members of the Management Board.

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

Total remuneration included in employee compensation (refer Note 9):

	2023 ’000 KZT	**2022 ’000 KZT**
Members of the Management Board	397,945	306,521
Members of the Board of Directors	31,654	26,849
	429,599	**333,370**

The above amounts include non-cash benefits in respect of the Management Board.

During 2023 there were dividends declared and paid-in the total amount of KZT 121,198,514 thousand (2022: KZT 93,000,000 thousand) (Note 21).

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2023 and 31 December 2022 and related income statement amounts of transactions for the years ended 31 December 2023 and 2022 with other related parties were as follows.

	The Shareholder Bank				Other Citigroup entities				Total	
	’000 KZT		Average Interest Rate, %		’000 KZT		Average Interest Rate, %		’000 KZT	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Statement of financial position										
Assets										
Cash and cash equivalents	43,240,892	15,156,247	8.10	4.38	46,304,838	4,074,511	3.52	0.26	89,545,730	19,230,758
Derivative instruments at fair value through profit or loss	2,303,168	2,583,460	-	-	-	-	-	-	2,303,168	2,583,460
Other assets	18,975	22,811	-	-	2,537	4,063	-	-	21,512	26,874
Liabilities										
Derivative instruments at fair value through profit or loss	230,938	314,556	-	-	-	-	-	-	230,938	314,556
Deposits and balances from banks and other financial institutions	198,183	72,585,802	-	4.32	345,193	2,930,741	-	-	543,376	75,516,543
Current accounts and deposits from customers	-	-	-	-	453,598	462,502	-	-	453,598	462,502
Other liabilities	1,068	17,152	-	-	1,911	3,870	-	-	2,979	21,022
Items not recognised in the statement of financial position										
Guarantees granted	126,168	375,562	-	-	2,330,737	1,255,273	-	-	2,456,905	1,630,835
Guarantees received	228,174	375,562	-	-	404,134,397	322,727,625	0.15	0.15	404,362,570	323,103,187
Commitments to buy foreign currency	303,870,017	268,968,152	-	-	-	-	-	-	303,870,017	268,968,152
Commitments to sell foreign currency	(301,797,787)	(266,699,248)	-	-	-	-	-	-	(301,797,787)	(266,699,248)

As at 31 December 2023 derivative instruments at fair value through profit or loss include the fair value of deliverable agreements to buy KZT and sell USD in the amount of KZT 120,333,550 thousand and USD 262,191 thousand, respectively (31 December 2022: deliverable agreements on buy KZT and sell USD in the amount of KZT 136,530,800 thousand and USD 291,132 thousand). These amounts are also presented within commitments to sell foreign currency above.

As at 31 December 2023 guarantees granted were provided for period from 4.40 months to 60.87 months with applied interest rate from 0.9% till 1% p.a. and minimum fee of USD 500 and USD 1,000 (31 December 2022: period from 2.73 to 54.43 months with applied interest rate from 0.9% till 1% p.a. and minimum fee of USD 500 and USD 1,000).

As at 31 December 2023 the guarantees received under loans to customers and unused credit commitments were provided for a period of 4,90 months to 61.43 months at annual interest rate of 0.15%) (31 December 2022: period of 4.8 to 55.5 months at annual interest rate of 0.15%) (Note 24 and Note 16).

	The Shareholder Bank		Other Citigroup entities		Total	
'000 KZT	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Statement of Profit or Loss and Other Comprehensive Income						
Interest income calculated using the effective interest method	4,397,826	1,016,460	1,568,122	51,783	5,965,948	1,068,243
Interest expense	(50,809)	(143,888)	-	(59,034)	(50,809)	(202,922)
Net gain (loss) on derivative financial instruments	(8,756,479)	5,966,138	-	(732,192)	(8,756,479)	5,233,946
Fee and commission income	21,269	28,266	121,587	67,989	142,856	96,255
Fee and commission expense	(87,548)	(74,049)	(228,582)	(168,929)	(316,130)	(242,978)
General administrative expenses	(5,484,408)	(2,457,262)	(4,297,258)	(4,591,899)	(9,781,666)	(7,049,161)
Net forex trading gain	20,537,112	899,018	42,011	176,337	20,579,123	1,075,355
Revaluation of foreign currency denominated instruments	(19,793,863)	(3,207,605)	810,750	778,447	(18,983,113)	(2,429,158)
Other operating income/(expenses)	3,810,787	2,986,758	78,557	129,748	3,889,344	3,116,506

28 Fair value of financial instruments

Accounting classifications

The estimated fair values of all financial instruments approximate their carrying values at 31 December 2023 and 31 December 2022.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market, and certain over the counter structured derivatives.

The following assumptions are used by management to estimate the fair value of financial instrument:

- quoted market value is used to determine the fair value of investment securities at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Fair value hierarchy

The Bank measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank has a control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- quarterly calibration and back testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions;

- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The table below analyses financial instruments measured at fair value at 31 December 2023 by the level in the fair value hierarchy into which the fair value measurement is categorised:

’000 KZT	Level 2
ASSETS	
Financial assets at fair value through other comprehensive income	101,577,525
Derivative instruments at fair value through profit or loss	3,694,062
Financial assets at fair value through profit or loss	29,604,017
LIABILITIES	
Derivative instruments at fair value through profit or loss	249,829

The table below analyses financial instruments measured at fair value at 31 December 2022 by the level in the fair value hierarchy into which the fair value measurement is categorised:

’000 KZT	Level 2
ASSETS	
Financial assets at fair value through other comprehensive income	65,540,168
Derivative instruments at fair value through profit or loss	3,454,917
Financial assets at fair value through profit or loss	2,402,223
LIABILITIES	
Derivative instruments at fair value through profit or loss	(1,066,555)

For the rest of financial instruments, not measured at fair value, estimated fair values approximate their carrying values due to their short-term nature or market interest rates at period end as determined by reference to inputs from observable market data. The fair values of these financial instruments are categorized into Level 2 of the fair value hierarchy.

29 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2023:

’000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash and cash equivalents	415,342,275	132,268,139	51,970,056	599,580,470
Placements with banks	-	212,836,276	-	212,836,276
Financial assets at fair value through profit or loss	29,604,017	-	-	29,604,017
Investment securities	101,577,525	-	-	101,577,525
Loans to customers	89,354,947	34,674,173	2,230,830	126,259,950
Property, equipment and intangible assets	1,259,614	-	-	1,259,614
Current tax asset	3,110,278	-	-	3,110,278
Other assets	1,616,964	6,695,981	786,237	9,099,182
Total assets	**641,865,620**	**386,474,569**	**54,987,123**	**1,083,327,312**
Liabilities				
Deposits and balances from banks and other financial institutions	25,378,223	565,421	108,648	26,052,292
Current accounts and deposits from customers	472,353,054	403,921,462	54,061,992	930,336,508
Deferred tax liability	380,339	-	-	380,339
Other liabilities	3,149,783	1,992,232	787,784	5,929,799
Total liabilities	**501,261,399**	**406,479,115**	**54,958,424**	**962,698,938**
Net position as at 31 December 2023	**140,604,221**	**(20,004,546)**	**28,699**	**120,628,374**
The effect of derivatives held for risk management purposes	(14,984,263)	18,394,048	224,866	3,634,652
Net position after derivatives held for risk management purposes as at 31 December 2023	**125,619,958**	**(1,610,498)**	**253,565**	**124,263,026**

The following table shows the currency structure of assets and liabilities at 31 December 2022:

’000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash and cash equivalents	340,340,790	779,434,396	12,347,834	1,132,123,020
Financial assets at fair value through profit or loss	2,402,223	-	-	2,402,223
Investment securities	65,540,168	-	-	65,540,168
Loans to customers	84,956,835	39,526,102	-	124,482,937
Property, equipment and intangible assets	1,002,406	-	-	1,002,406
Current tax asset	177,061	-	-	177,061
Deferred tax asset	34,632	-	-	34,632
Other assets	299,710	125,437	58	425,205
Total assets	**494,753,825**	**819,085,935**	**12,347,892**	**1,326,187,652**
Liabilities				
Deposits and balances from banks and other financial institutions	16,699,244	69,863,461	157,298	86,720,003
Current accounts and deposits from customers	420,421,404	579,185,079	56,556,973	1,056,163,456
Amounts payable under repurchase agreements	51,545,865	-	-	51,545,865
Other liabilities	1,876,311	134,508	1,367	2,012,186
Total liabilities	**490,542,824**	**649,183,048**	**56,715,638**	**1,196,441,510**
Net position as at 31 December 2022	**4,211,001**	**169,902,887**	**(44,367,746)**	**129,746,142**
The effect of derivatives held for risk management purposes	133,444,217	(175,787,505)	44,357,510	2,014,222
Net position after derivatives held for risk management purposes as at 31 December 2022	**137,655,218**	**(5,884,618)**	**(10,236)**	**131,760,364**

30 Subsequent events

There were no significant subsequent events.