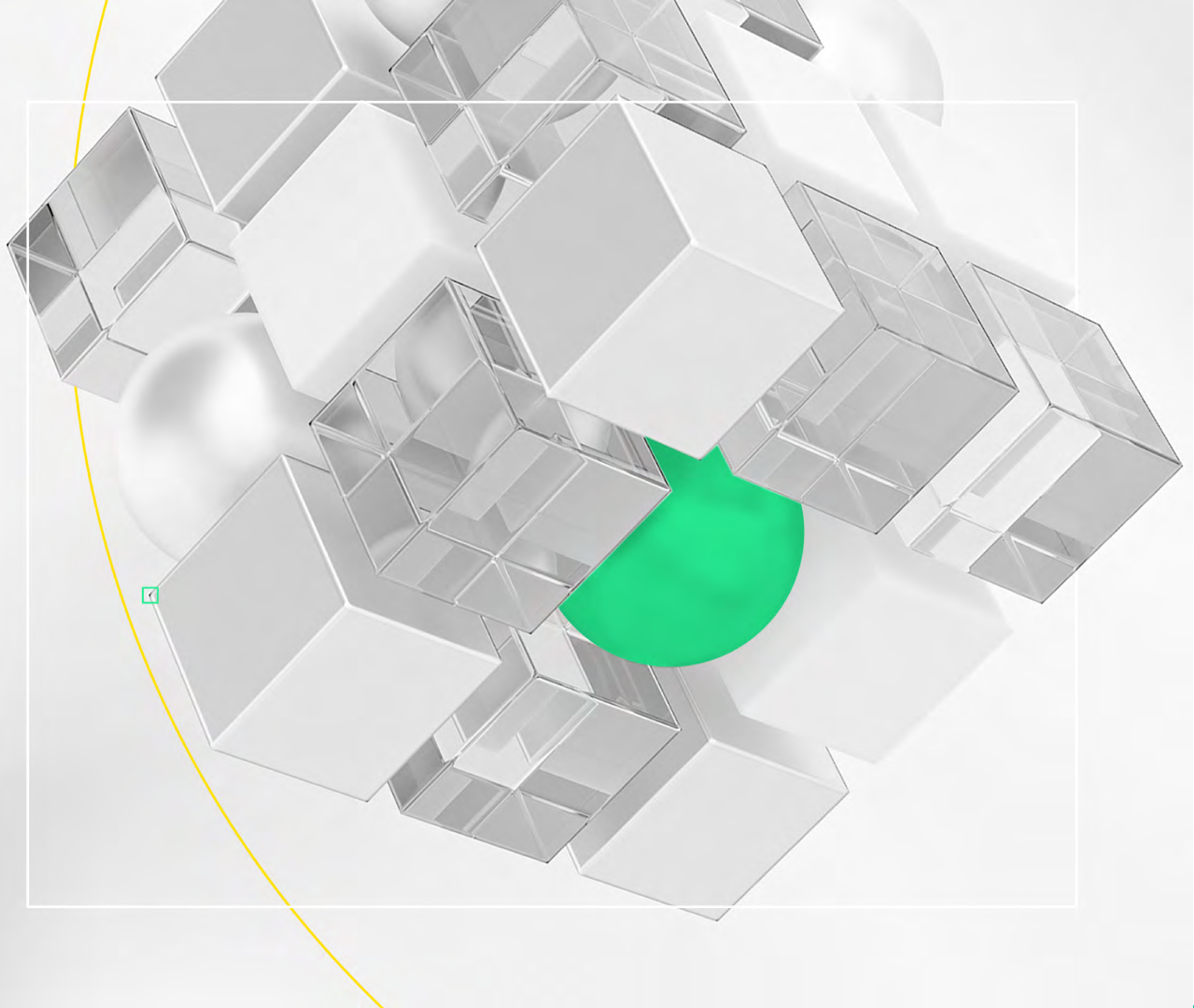
HALYK BANK

Annual report 2022

ECOSYSTEMS FORMATION



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Glossary

ECOSYSTEMS FORMATION

GLOSSARY

AIX	Astana International Exchange
AIXQI	AIX Qazaq Index
Altyn Bank	Altyn Bank (subsidiary of China CITIC Bank Corporation Limited)
AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
ATM	Automated teller machine (bank machine)
BSI	British Standards Institute
Business Roadmap – 2025	The "Road Map for Business 2025" Unified Programme for Supporting Entrepreneurship and Business Development
CET	Common equity tier
CFO	Chief financial officer
CIS	Commonwealth of Independent States
CITIC Bank	China CITIC Bank Corporation Limited
Damu Fund	Damu Entrepreneurship Development Fund
DAU	Daily active users
DLS	Distance learning system
DMC	Decision-Making Centre
ESG	Environmental, social and governance
ETN	Exchange-traded note
EU	European Union
FATF	Financial Action Task Force
GDP	Gross domestic product
GDR	Global depositary receipt
GMV	Gross merchandise value
GovTech	Government technology
GRI	Global Reporting Initiative
Halyk Bank, the Bank	Halyk Bank of Kazakhstan
Halyk Group, the Group	Halyk Group of Companies
HR	Human resources
IaaS	Infrastructure as a service
IFRS	International Financial Reporting Standards
IS	Information security
IT	Information technology
KASE	Kazakhstan Stock Exchange
KPI	Key performance indicator
KRI	Key risk indicator
KVM	Kernel-based virtual machine
LMS	Learning management system
LSE	London Stock Exchange
MAU	Monthly active users
NFT	Non-fungible token
NSFR	Net stable funding ratio
OPEC	Organization of the Petroleum Exporting Countries
ORAP	Organisation and Reinforcement of Preventive Action
PaaS	Platform as a service
POCI	Purchased or originated credit-impaired
POS	Point of sale
PR	Public relations
QR	Quick response (code)
RCC	Retail Credit Committee of the Head Office
REPO	Repurchase agreement
ROAE	Return on average equity
SKU	Stock keeping unit
SME	Small and medium-sized enterprise
TONIA	Tenge OverNight Index Average
UECAS	Unified Employment Contract Accounting System
UK	United Kingdom
UN	United Nations
US	United States

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At a glance

AT A GLANCE

Financial highlights (consolidated basis)

Key indicators	01.01.2023		01.01.2022	
	KZT million	US$ million*	KZT million	US$ million*
Loans to customers	7,857,902	16,985	5,872,228	13,604
Total assets	14,311,372	30,933	12,091,370	28,011
Amounts due to customers	10,487,615	22,669	8,473,407	19,629
Debt securities issued	462,817	1,000	499,812	1,158
Amounts due to credit institutions	878,665	1,899	1,071,642	2,483
Total equity	1,911,234	4,131	1,573,604	3,645

Key indicators	2022		2021	
	KZT million	US$ million**	KZT million	US$ million**
Net interest income	563,421	1,224	517,077	1,214
Fee and commission income	180,066	391	138,389	325
Operating expenses (including impairment loss on non-financial assets)	(198,022)	(430)	(181,281)	(426)
Net income	553,752	1,203	462,378	1,085

Key indicators	2022	2021
Return on average equity (RoAE)	31.7%	29.7%
Return on average assets (RoAA)	4.1%	4.2%
Net interest margin	5.6%	5.2%
Cost-to-income	19.0%	24.1%
Operating expenses/average total assets	1.5%	1.6%
CET1 capital adequacy ratio (CET)	18.2%	19.3%
Tier 1 capital adequacy ratio	18.2%	19.3%
Total capital adequacy ratio	18.6%	19.9%

Number of customers/accounts

Key indicators	01.01.2023	01.01.2022
Retail clients (active), thousands	9,852	9,025
SME loan borrowers (active), thousands	310.7	246.2
Corporate clients (active), thousands	2.3	1.9
Payment cards, thousands	17,456	15,501
Retail loans, thousands	2,181	1,640
Mortgage loans, thousands	43	29
Other secured and unsecured customer loans, thousands	2,138	1,611
Internet banking users, thousands		
- Individuals	9,416	7,999
- Legal entities	418	273

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

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

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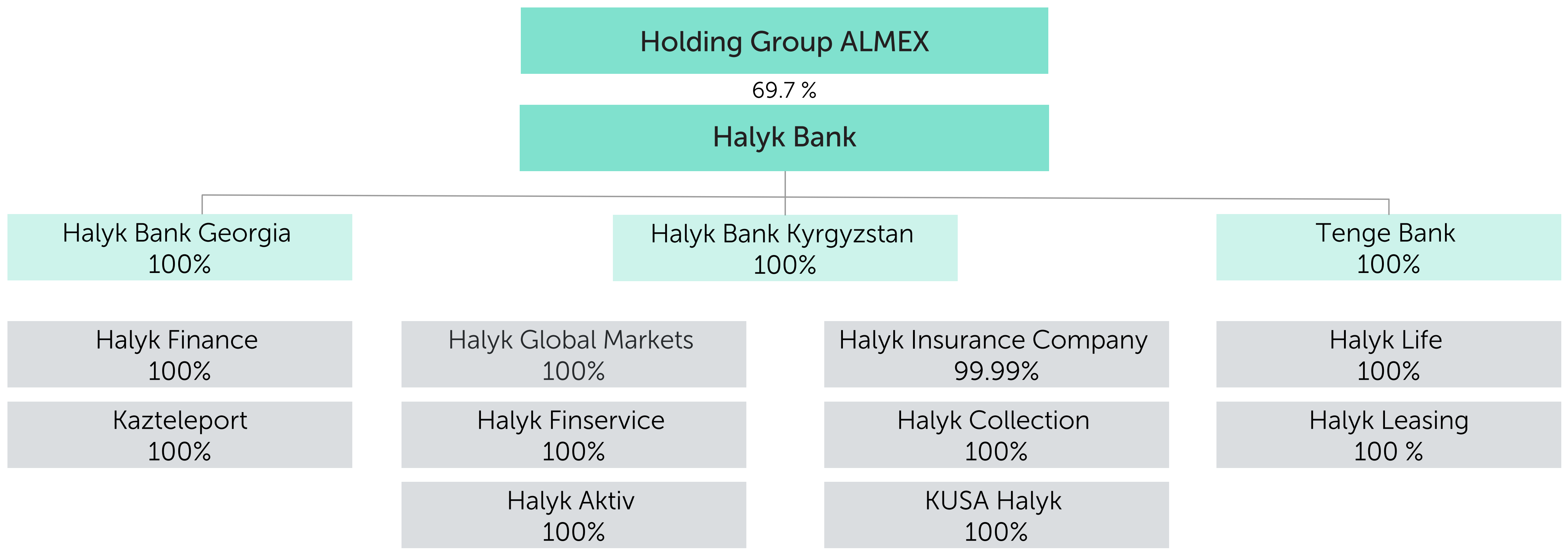
AT A GLANCE

Distribution network

Halyk Bank	572 branches and outlets, including:
	• 24 regional branches
	• 120 sub-regional offices
	• 328 personal service centres
	• 3 VIP centres
	• 49 banking service centres
	• 15 cash settlement units
	• 33 business centres (legal entities)
	4,580 ATMS
	275,812 POS terminals
	944 payment terminals

Halyk Insurance Company	18 branches and more than 100 points of sale
Halyk Life	20 branches and 7 representative offices
Halyk Finance	1 branch
Halyk Collection	20 branches and 34 offices
Halyk Bank Kyrgyzstan	10 branches, 13 cash settlement units and 17 mobile cash settlement units
Halyk Bank Georgia	8 branches
Tenge Bank	17 branches (5 banking service centres and 12 personal service centres) and 7 universal cash settlement units
Kazteleport	1 subsidiary in Uzbekistan
Halyk Aktiv	1 branch in Russia
KUSA Halyk	1 branch in Russia

As of 31 December 2022, Halyk Group had 16,325 full-time equivalent employees.



As of the date of publication of this annual report:

- Halyk Bank's stake in Altyn Bank (a subsidiary of China CITIC Bank Corporation Limited) is 40%
- Halyk Bank's stake in First Credit Bureau is 38.8%

Information about shareholders of Halyk Group with at least 5% of Halyk Bank's common shares issued as of 1 January 2023[1]:

Name	Common shares	Proportion of total shares in circulation
Total shares authorized	25,000,000,000	-
Holding Group ALMEX	7,583,538,228	69.7%
GDRs (ISIN: US46627J3023/US46627J2033)	3,090,660,400	28.4%
Other	209,669,751	1.9%
Total shares in circulation	10,883,868,379	100.0%
Shares bought back by the Bank	(2,539,270,930)	-
Shares retained by companies in the Group	(24,405,473)	-
Total shares issued	13,447,544,782	-
Total shares in circulation (as per KASE listing rules)	3,324,710,994	-
Market price of local shares, KZT*	131.00	-
Market price of GDRs, KZT / US$**	4 840,06 / 10,40	-

* Market price of local shares as of 31 December 2022, determined and published by the Kazakhstan Stock Exchange (KASE; www.kase.kz)
** Market price of GDRs as of 31 December 2022, based on information from the London Stock Exchange (LSE)

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

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

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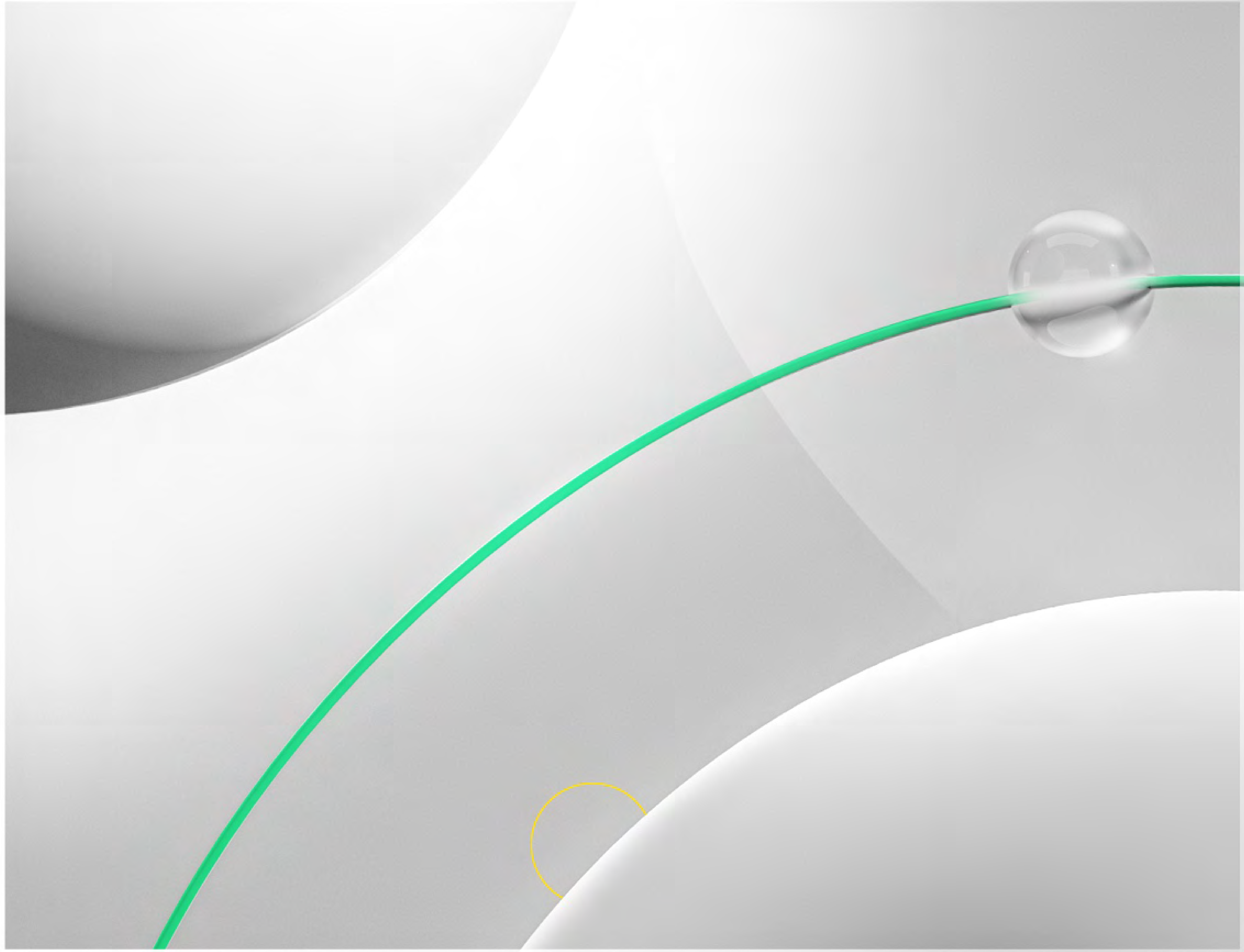
Business model



BUSINESS MODEL

Solid financial position amid new macroeconomic challenges

- The Bank's business model is resilient to macroeconomic risks: over 2012-22, the return on average equity (RoAE) and cost-to-income ratios averaged 25.9% and 28.1%, respectively
- High level of capitalisation: a common equity tier 1 (CET 1) capital adequacy ratio of 18.2%, tier 1 capital adequacy ratio of 18.2% and total capital adequacy ratio of 18.6%
- Solid profitability is supporting shareholder returns: RoAE of 31.7% in 2022
- High level of liquidity: liquid assets to total assets ratio of 32.1% and net stable funding ratio (NSFR) of 1.57
- High-quality funding base: loans to deposits ratio of 74.9%
- One of the lowest funding rates among second-tier banks
- Deposits account for 84.6% of total liabilities, of which 31.1% are current accounts with zero or low interest rates (the highest proportion in the market)
- Low leverage: debt securities account for just 3.7% of total liabilities (as of the end of 2022, the Bank's debt securities included only bonds issued on the local market)
- Effective risk management and continuous work to improve asset quality: in 2022, the share of non-performing loans (overdue by 90 days or more) declined from 2.6% to 2.1%, the share of Stage 3[1] loans dropped from 8.6% to 7.5%, the provision coverage ratio totalled 67.7% and the cost of risk amounted to 1.2%, reflecting a more normalised level of credit loss expenses on loans to legal entities and higher credit loss expense on loans to individuals
- Balanced forex position: the share of loans denominated in foreign currency is at just 17.0% of all loans, a record low
- Ongoing high operational efficiency is providing additional support for profitability: the cost-to-income ratio was 19.0% in 2022
- The Bank's experienced management team has navigated through the turbulence of 2008-09 and 2015-16, the pandemic and 2022, amid unprecedented domestic and regional macro shocks and geopolitical tensions in the region
- Halyk Bank's highest long-term credit ratings among second-tier Kazakh banks with no major overseas shareholders have been confirmed by international ratings agencies, despite the deterioration in the global operating environment. Moody's Investor Services has affirmed the Bank's ratings at the sovereign level. During 2022, all three of the leading rating agencies confirmed the outlook for the Bank as 'stable':
  - Moody's Investor Services – Baa2 ('stable', 12 April 2022)
  - Fitch Ratings – BBB- ('stable', 10 April 2022)
  - Standard & Poor's – BB+ ('stable', 26 May 2022)

[1]Including POCI.

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

- Kazakhstan's leading universal financial group, with the largest client base and sales channel network in the country: 9.9 million active retail customers and 313,000 active corporate and SME customers; 9.4 million retail customers using the Homebank online banking system and 418,000 corporate and SME customers using the Onlinebank portal; largest branch network with 572 branches and outlets, 4,580 ATMs (market share of 37.0%) and 275,812 POS terminals (market share of 33.8%)
- Halyk Bank is the undisputed leader in Kazakhstan in terms of assets (total market share of 31.1%), equity (36.1%) and net income (34.7%); its share of retail deposits among second-tier banks is 30.4% and of corporate deposits among second-tier banks is 35.5%; its share of gross loans is 33.3% and of net loans is 33.9%; its share of corporate and SME loans is 51.9% and of retail loans is 18.4%
- In the second quarter of 2022, Halyk Bank seized an opportunity created by changes in the operating environment and acquired part of the diversified high-quality loan portfolio of Sberbank's former Kazakh subsidiary amounting to KZT550 billion
- Largest processing bank in Kazakhstan: in 2022, retail transactions totalling KZT41.9 trillion were handled, up 31% year-on-year and 75% compared with 2020
- Leading transaction bank in the country: in 2022, legal entities conducted KZT91 trillion through Halyk Bank, up 60% -year-on-year and double the figure in 2020
- Largest payment agent for pensions and social payments: 2.5 million customers
- Active participant in all government community and business support programmes, including the concessional SME lending programme

Significant progress in the main areas of digital transformation

1. Continuous development of digital service channels

- Homebank is one of the leading retail online banking platforms in Kazakhstan: 5.4 million monthly active users (MAU) and 1,712,400 daily active users (DAU), up a respective 28.6% and 27.4% year-on-year
- The Onlinebank platform for corporate and SME customers has 417,500 online banking users and 253,700 MAU for the web version and mobile app (up 62.2% year-on-year)

— Online registration of clients at Homebank and Onlinebank (including LLPs)

— Digital loans and instalment loans for retail clients

— Digital loans for legal entities (including LLPs)

— Submission of tax returns through Onlinebank

— Digital bank tender guarantees (up 7.8 times year-on-year)

2. The largest open ecosystem in the country

Continuous development of digital and ecosystem non-banking products and services:

- Halyk Market, a technological solution for online purchases: gross merchandise value (GMV) of KZT23.5 billion, 2,385 partners (673 partners at the end of 2021) and 495,800 stock keeping units (SKUs; 175,000 at the end of 2021)
- In the second quarter of 2022, the Bank launched the innovative brokerage service Halyk Invest, which is integrated into Halyk Homebank. A broad range of retail investors are the main target customers of this service. The Bank also continues to develop its previous brokerage service Halyk Finance, which was launched in 2020 and focuses on supporting qualified retail and institutional investors. From the second quarter to the fourth quarter of 2022, Halyk Invest and Halyk Finance had a total 389,400 clients (up 4.8 times). In 2022, Halyk Invest had a 34% share of all open brokerage accounts in the country. In the fourth quarter of 2022, during an IPO of shares in KazMunayGas, Halyk Invest and Halyk Finance handled total transactions of KZT27.2 billion (up 4.6 times compared with the second quarter of 2022). The Bank's brokerage infrastructure processed 34% of the total IPO volume of KazMunayGas.
- Halyk Travel, an app to search for, compare and purchase air and rail tickets, as well as book hotels online: 291,000 tickets purchased (up 4.7 times year-on-year)
- Kino.kz, a service to find and obtain tickets to various entertainment events: 2.6 million MAU (1.6 million MAU at the end of 2021)
- Online auto insurance portal: GMV of 2.3 billion (up 8.7% year-on-year) and 218,000 policies, up 13% year-on-year
- Online government services: The Bank has the largest number of government online services among second-tier banks – 35 government services for clients (24 for the nearest competitor) at the end of 2022. In 2022, government services were used 10 million times.

3. Strategic focus on Uzbekistan as part of international expansion

- Sale of subsidiary banks in Tajikistan and Russia to improve the Group's efficiency
- Development of the subsidiary Tenge Bank and a comprehensive approach to support trade and the cross-border expansion of Kazakh business in Uzbekistan from Halyk Bank's balance sheet

Compliance with ESG best practices

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

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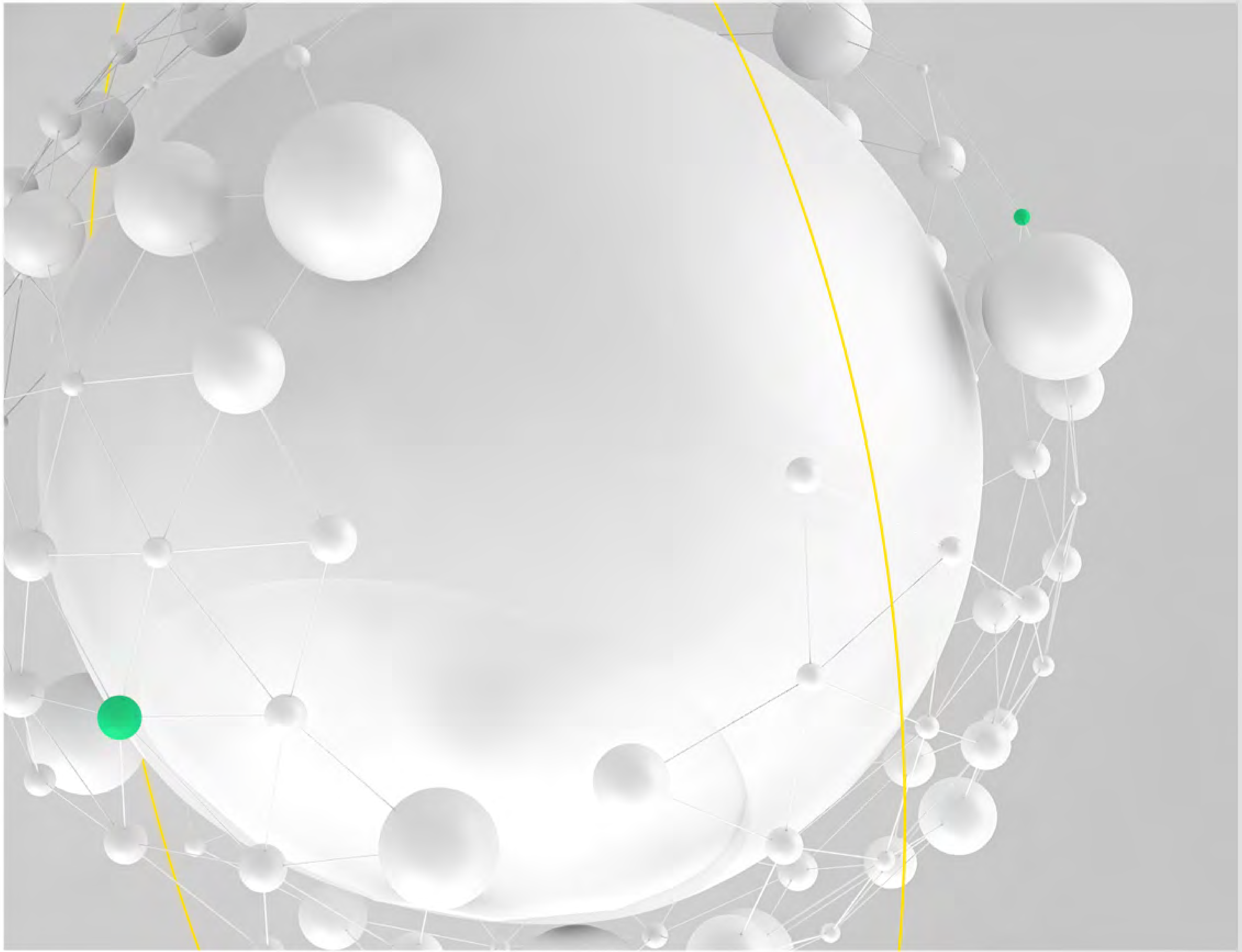
Chairman of the board's statement



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Chairman
of the Board's
Statement

CHAIRMAN OF THE BOARD'S STATEMENT

DEAR SHAREHOLDERS, CLIENTS AND PARTNERS,

In 2022, having barely recovered from the pandemic, the world entered a new area of turbulence. International efforts to combat the aftermath of COVID-19 have led to new imbalances in national economies, particularly a record increase in prices for raw materials and food on a global scale. In turn, combating inflation has led to a gradual tightening of monetary policies and a slowdown in economic growth in the US, Europe and the CIS. Key contributors to the economic and geopolitical instability around the world include the armed conflict between Russia and Ukraine, new rounds of Western sanctions against Russia and Iran, and China's zero-tolerance policy regarding coronavirus.

In 2022, Kazakhstan's involvement in global macroeconomic processes, coupled with its dependence on the sale of energy resources and the import of consumer and food products, resulted in national GDP growth slowing to 3.1%. The country's economic performance was further impacted by the outflow of liquidity from emerging markets amid high US interest rates, disruptions in supplies of Kazakh oil through the Caspian Pipeline Consortium and significant monetary tightening in the country as part of the fight against inflation. During the year, the National Bank gradually increased the base rate from 9.75% to 16.75%, which helped to ease consumer and business activity in the country and slow price growth to 20.3% by the year-end.

Despite the overall decline in business activity in Kazakhstan in 2022, Halyk Group continued to implement its strategic initiatives as a crucial part of the country's financial infrastructure. As of the year-end, the Group's assets exceeded KZT14.3 trillion, which bolstered its leading positions on the country's financial market. Meanwhile, the core business, Halyk Bank, increased its loan portfolio to KZT8.1 trillion, once again confirming its status as the main commercial channel for lending to the real sector of the economy. Over the year, the Bank's corporate loan portfolio increased by 24.3% to KZT5.2 trillion, accounting for 52% of the market. Large businesses make up almost 80% of this portfolio and a similar share belongs to Halyk Bank's clients among the largest corporates in Kazakhstan.

In 2022, as part of measures to improve Halyk Group's overall business efficiency, the investment banking teams of two Halyk Bank subsidiaries were merged. In addition, the client portfolio was transferred from Halyk Global Markets to Halyk Finance, the main investment bank. This enabled us to further concentrate resources, optimise business processes, harness the professional experience of the two best teams on the securities market more effectively and, as a result, improve service quality.

Another major change in Halyk Group's business was the exit from the Russian and Tajik markets. As part of our drive to develop our most promising businesses, we decided to focus our resources and efforts on high-efficiency and profitable projects with substantial potential for further growth. With this goal in mind, in November 2022, Halyk Bank concluded a deal to sell 100% of Halyk Bank Tajikistan and, in December 2022, 100% of its subsidiary Moskommertsbank in Russia.

Meanwhile, Halyk Group expanded its activities in Uzbekistan, one of the most promising markets in Central Asia. Given the positive results of economic and political reforms in the neighbouring state, over the past three years, Halyk Group has invested about US$700 million in the Uzbek economy, including additional capital and funding for the subsidiary Tenge Bank and financing for local companies. In acknowledgement of Halyk Group's significant contribution to the Uzbek economy, in 2022, the country's leadership included the Chairperson of Halyk Bank's Management Board in the Council of Foreign Investors. Among other plans, the Group intends to contribute further to improving the Uzbek banking sector by expanding the capabilities of state bodies and banks through developing banking systems and mobile applications, including additional financing for promising projects.

In 2022, amendments were made to the Bank's Corporate Governance Code to incorporate sustainable development principles and expand the functional responsibilities of the Board of Directors and Management Board to implement the sustainable development goals. In addition, the Board of Directors decided to transform the Social Affairs Committee into the Sustainable Development Committee. This will help to monitor the implementation of the action plan to introduce sustainable development principles and goals for 2022-24, as well as involvement in ESG projects.

In the year, prominent international experts strongly endorsed Halyk Bank's success in implementing its business strategy, which focuses on digitalising its product line, developing Government Technology services, supporting small and medium-sized businesses and adhering to ESG principles. In Asiamoney magazine's annual competition for the best bank in Kazakhstan, Halyk Bank came first in three categories in 2022: "Best Investment Bank", "Best ESG Bank" and "Best Bank for Diversity and Inclusion". Experts from the information and research agency SME Banking voted Halyk Bank's ecosystem one of the best for business, while its mobile bank for business and the Onlinebank application received similarly high ratings. In addition, for the second year in a row, Global Finance magazine named Halyk Bank the best bank for SMEs in Kazakhstan in 2023.

As the largest financial group in Kazakhstan, we realise that our success and achievements would not be possible without the trust, support and cooperation of our many clients, shareholders and partners, as well as the state and the whole of Kazakh society. At the same time, a leader is expected to make great efforts and be involved in the life of the country, both in calm and in challenging times. As such, being aware of its significant social role, Halyk Group initiates, supports and participates in financing projects that aim to further develop society, education, culture and sport. Over the past two years alone, together with Halyk Fund, Halyk Bank has allocated more than KZT50 billion for these purposes.

When trouble comes into our shared home, Halyk Group is one of the first to offer help and support to the victims and those in need, and allocates resources to help a return to a normal life. This was the case following the explosions in Arys, when Halyk Bank transferred more than KZT1.1 billion to restore the area. During the pandemic, we helped purchase food parcels, medical equipment and medicine. Following the tragic events in January 2022, we wrote off the debt on loans to members of the military and police who were killed, as well as provided material assistance to the businesspeople injured and families of service personnel who lost their lives. We provided similar assistance to the victims of the fires in Kostanay.

In 2023, Halyk Bank will celebrate its 100th anniversary. In honour of this milestone, we are organising a charity marathon called "100 Good Deeds", as part of which dozens of cultural, social and sports events will be held throughout Kazakhstan. This major relay race of kindness is our way of thanking our compatriots for their trust and support, and making life more interesting, fun and happy for our society.

I firmly believe that a financial institution with a history of 100 years, vast infrastructure and a client base that comprises more than half of the country's population cannot remain just a bank, even if it is the most successful one. We have reached these heights thanks to the people of Kazakhstan, and we consider it our duty to help the country to build a prosperous and happy society.

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Chairperson of the management board's review

ECOSYSTEMS FORMATION

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CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

DEAR CLIENTS, PARTNERS AND SHAREHOLDERS,

Last year proved extremely challenging and eventful, both globally and for our country. From the outset, we faced unprecedented challenges, particularly the tragic events of January, the military conflict between Russia and Ukraine, record inflation in most countries and rising geopolitical tension between East and West. And while many outcomes of these 'black swan' events had a somewhat positive impact on the national economy, such as higher world energy prices and the relocation of tens of Russian and international enterprises to Kazakhstan, the rest created shockwaves and tested the strength of our political systems and businesses.

Fortunately, over the years of independence, our country has created a universal and effective mechanism to deal with all kinds of crises by combining the efforts of the state and businesses when faced with common problems. During the January events in Kazakhstan, like many other service enterprises, commercial banks were unfortunately unable to avoid vandalism against tens of branches and ATMs. In several cities, they were forced to temporarily suspend operations both because of a lack of communication and for the safety of their customers and employees. Mindful of its strategic role, Halyk was among the first to offer assistance to the government and society so that life could return to normal as soon as possible following the turmoil.

Together with the Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan and Kazakhtelecom, we quickly ensured that the Bank's acquiring systems and the Halyk Homebank and Onlinebank mobile applications could operate offline. Not only were our customers able to use payment services again, they could also receive the latest news from applications, which became an additional support factor. We helped our colleagues from other banks to set up cash collection at their branches and ATMs. We deferred loan payments for our borrowers during the state of emergency. For military and police personnel who died in the line of duty, we wrote off their loans in full and donated KZT5 million to their families. In addition, Halyk transferred KZT3 billion to the Qazaqstan Halqyna fund and KZT500 million to help micro and small entrepreneurs whose facilities were destroyed in Almaty.

This example of the state and business working closely together to respond to crises proved effective in solving other pressing issues. Through the joint efforts of the government, the National Bank of Kazakhstan, development institutions, local executive authorities and commodity producers, Kazakhstan implemented a range of measures to curb price growth within the country and slow inflation to 20.3% by the year-end. A major boost in this came from the counter-cyclical measures of the monetary regulator, the government's decision to provide preferential lending to commodity producers and retail chains in exchange for selling goods at fixed prices, deregulation and concessional lending to SMEs, de-monopolisation and the drive against the shadow economy, improvements to tax and budget policies, a reduction in state involvement in the economy and the attraction of foreign investments. These joint actions by the government and business helped to largely offset the effects of the adverse factors mentioned and end the year with economic growth of 3.2%.

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Chairperson of the management board's review

Despite the serious difficulties and adverse factors, the Kazakh banking sector delivered strong results in its core businesses last year. Amid significant monetary tightening (the base interest rate was raised from 9.75% to 16.75% during the year) and the high yield of risk-free government securities, banks maintained their lending rates and issued KZT24.2 trillion in new loans, which expanded the overall loan portfolio (principal debt) by 20.1%. At the same time, its quality remained virtually unchanged at the systemic level, as the share of NPLs increased by only 0.1 percentage point. The interest margin in the sector increased to 5.75%, as the return on assets outpaced the cost of funding, which, in turn, drove up net profit by 13.7% and overall capitalisation by 15.3%. Deposits increased by 17.6% for corporate clients and 26.3% for individuals, enabling banks to support consumer and investment demand and bolster the business activity of Kazakh companies.

In 2022, sanctions against several Russian banks imposed by the Office of Foreign Assets Control of the US Department of the Treasury reinforced the longstanding trend of consolidation on the Kazakh banking market. The subsidiaries of the largest Russian banks encountered serious problems and were forced to change their ownership structure, sell their loan portfolios and redistribute assets, deposits and foreign-exchange contracts.

To help the state to stabilise the situation on the financial market, in April 2022, Halyk Bank signed a deal with the former subsidiary of Sberbank of Russia (now Bereke Bank) to buy a high-quality part of its retail loan portfolio for more than KZT336 billion. This included claims for loans under a concessional lending programme from the Development Bank of Kazakhstan, as well as for unsecured and mortgage loans and loans for urgent needs. Halyk also bought claims for high-quality loans from almost 8,000 SMEs. As part of the deal, Halyk Bank received part of a high-quality commercial portfolio worth more than KZT213 billion and loans issued under the Damu Fund's state programmes totalling KZT4.9 billion.

Last year, Halyk Bank successfully demonstrated its resilience to external and internal shocks, as shown by its ratings from the three leading international agencies. S&P Global Ratings, Fitch Ratings and Moody's Investors Service affirmed Halyk Bank's previous ratings with a 'stable' outlook and noted that the safety margins of its capitalisation, liquidity and profitability ensure its resilience against adverse operating factors. Halyk Bank's ratings remain among the highest of Kazakh banks.

In 2022, the Bank's assets increased by 18.4%, in line with the average market rate, and totalled KZT14.3 trillion at the year-end. The gross loan portfolio expanded by 32.5%, driven by a rise of 35.1% in the corporate, 23.8% in the SME and 32.7% in the retail portfolios. Net profit for the Bank's ordinary shareholders amounted to KZT553.8 billion, up 19.8% compared with 2021. This was due to a substantial expansion in the lending business, including an increase in net income from foreign-exchange operations and net commission income. The strong financial results of 2022, in turn, helped to increase the Bank's equity by 21.5% to KZT1.9 trillion, which provided additional stability amid high volatility in the external environment.

The double-digit growth in Halyk Bank's key financial indicators suggests that last year was a major success for us in all businesses. As the largest universal financial institution of systemic importance on the Kazakh financial market, Halyk Bank has ramped up its activity in all customer segments: corporate, SMEs and retail. It has also significantly expanded its range of services, strengthened customer engagement and increased the customer base, both among legal entities and individuals.

Continuing its longstanding drive to digitalise banking services, Halyk Bank improved its digital ecosystem further in 2022 by offering new affordable and convenient products and services to private and business customers. Users of the Halyk Homebank mobile application for individuals became able to receive pensions and allowances from Halyk Bank accounts, transfer money to cards of Uzbek citizens, and act as private investors and purchase shares in KazMunayGas .

Meanwhile, integration with government databases through Halyk Homebank enabled customers to access several public services and bank statements that were previously available only through public service centres. For example, customers can now apply to register a marriage, obtain birth certificates, find their polling station, register people at their place of residence, check car ownership history, apply to legalise foreign vehicles and much more. In the two years since the launch of GovTech, 35 public services have become available on the Halyk Homebank platform. This has made Halyk Bank the leader in the segment, among not only Kazakh banks.

The broad range of services for private customers makes Halyk Homebank a highly popular banking application among Kazakh citizens. In 2022, the number of monthly active users (MAU) of the service increased by 29% to 5.4 million and of daily active users (DAU) by 27% to 1.71 million. In addition, through the application, customers used public services more than 10 million times and submitted 69% of bids in the KazMunayGas IPO, which came to around 90 thousands people.

The Bank's success in the retail segment in 2022 was not limited to expanding the Halyk Homebank product line and the growing popularity of digital sales channels. The traditional retail business also delivered strong results. Over the year, the portfolio of private deposits increased by 18.2% to KZT5.2 trillion; the number of retail products per customer by 6.2% to 3.4; and the number of active payment cards by 10.3% to 6.4 million. At the year-end, the Bank had a market share of 18.4% in retail lending and 30.4% in retail deposits. There was also a noticeable increase in the transactional segment: non-cash payments and transfers through the Bank's traditional sales channels and acquiring devices amounted to KZT41.9 trillion in 2022, up 31% year-on-year.

Today, the Bank has an extensive physical network, with 572 branches in cities and major population centres of Kazakhstan, as well as the largest fleet of acquiring devices, including 4.6 thousands ATMs and POS terminals at retail and service enterprises. Its customer base has grown to 9.9 million people[1], around the same as the economically active population of Kazakhstan.

Serving small and medium-sized businesses is another important business for Halyk Bank, which is a leader in this segment, in terms of both the volume and number of customer transactions, as well as lending to SMEs.

The active introduction of advanced digital solutions has helped the Bank to achieve success in servicing business transactions. The solutions enable our customers to make round-the-clock online payments, convert currencies, make tax and other transfers to the budget, and accept payments using QR codes.

In 2022, the Onlinebank mobile application for legal entities added such services as the ability to remotely open an account for a limited liability partnership, file a simplified tax return and issue a digital tender guarantee. In addition, the Bank has optimised the customer journey and launched a new user-friendly web portal for legal entities. Last year, this increased payments through Onlinebank by 60% year-on-year to KZT91 trillion, a

[1]Active retail customers

figure that has doubled over the past two years, indicating the growing popularity of the application among entrepreneurs. This is also seen in Onlinebank customer data: in the fourth quarter of 2022, the number of MAU reached 254 thousands, up 62.2% year-on-year.

The development of SMEs in Kazakhstan largely depends on the availability of business loans, which is why the government has been supporting domestic businesspeople for 15 years by allocating targeted loans on preferential terms under various state programmes. This support measure became even more important in 2022, when the hike in the National Bank's base interest rate and the increased cost of credit resources made it difficult to finance SME projects.

Keenly aware of the importance of dealing with these major issues, Halyk Bank cooperates with the Damu Entrepreneurship Development Fund and other development institutions. It also provides assistance in implementing SME support programmes, including regional financing of SMEs, support for manufacturing enterprises, the Nurly Zher housing construction programme and the Economy of Simple Things programme. In most of these, the Bank is the leader in terms of funds allocated, as well as the number and volume of subsidy and guarantee agreements signed.

Each year, international experts praise the Bank's success in serving SMEs. In 2022, Global Finance declared Halyk Bank the winner of a prestigious award in the nomination 'Best Bank for Small and Medium Business in Kazakhstan 2023' for the second year in a row.

This year, the Bank will mark an important historical milestone: one hundred years since the opening of the first savings bank in the city of Aktobe, which marked the beginning of our long ascent to the top of the banking system. Over this time, we have grown from being a local bank to a regional leader. From the very outset, the fundamental principle of the Bank's activities has been working for the country and its people and helping to build a prosperous and happy society. When Kazakhstan gained independence, this principle became embodied in our brand name to underscore who the Bank works for and to whom it owes its achievements and success.

With immense gratitude for the trust, support and loyalty of the millions of our customers and being aware of our enormous role in Kazakh society, we have always been committed to repaying it with kindness, so that the lives of Kazakh citizens become better and happier. This is precisely why Halyk Bank, together with its Halyk charity fund, supports Kazakh culture, education and sport, and funds various social initiatives. Over the past year alone, the Bank spent over KZT6.5 billion to support charitable projects, including on purchasing equipment to treat newborns with vision problems in cooperation with the Ayala Foundation; and on sponsoring the Abay Kazakh State Academic Opera and Ballet Theatre and Astana Opera, the National Olympic Committee and Gymnastics Federation, the 2022 Winter Paralympic Games, a table tennis tournament and the 2022 Almaty Half Marathon.

In 2023, the year of its centenary, Halyk Bank is once again launching the 100 Good Deeds project, as it continues the tradition of celebrating its anniversary with the Kazakh people. Major cultural, sporting and social events will be held in every city of the country, and anyone can attend. It is crucial for us that all participants feel like they are a part of a rich, beautiful and peaceful country, its unique fusion of cultures and traditions, and the longstanding friendship among its different ethnic groups. The slogan of the project – '100 Years with the People' – reflects our unwavering desire for unity among people and to provide them with strength and confidence as they move forward.

UMUT SHAYAKHMETOVA

CHAIRPERSON OF THE MANAGEMENT BOARD

6

Board of directors

ECOSYSTEMS FORMATION

ALEXANDER PAVLOV (b. 1953)

Chairman, Independent Director

Mr Pavlov was elected Chairman of the Board of Halyk Bank in March 2004 and re-elected to the same post in May 2020.

Mr Pavlov has held numerous high-level posts in Kazakhstan's government over the years, including first deputy prime minister, deputy prime minister – minister of finance, and head of the Main Tax Inspectorate – first deputy minister of finance. He has also worked in managerial positions in large Kazakh machinery and natural resource companies and represented Kazakhstan at numerous international financial organisations.

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

ARMAN DUNAEV (b. 1966)

Independent Director

Mr Dunaev was elected to the Board of Halyk Bank in September 2013 and re-elected to the same post in May 2020.

Mr Dunaev's experience in Kazakhstan's government includes such posts as first deputy minister of finance, minister of finance and Chairman of the Agency for Regulation and Supervision of the Financial Market and Financial Organisations. He has also held managerial

positions in the quasi-government sector. He is currently a member of the boards of directors of several Halyk Bank subsidiaries.

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

FRANCISCUS CORNELIS WILHELMUS (FRANK) KUIJLAARS (b. 1958)

Independent Director

Mr Kuijlaars was elected to the Board of Halyk Bank in April 2009 and re-elected to the same post in May 2020.

From 1990 to 2007, Mr Kuijlaars served at ABN AMRO Bank and later at RBS as head of corporate and investment banking in Belgium, regional manager in Brazil and country manager in Russia and Argentina. He was a member of the Supervisory Board in Russia, Kazakhstan and Uzbekistan. After his appointment as corporate executive vice president in 2001, in addition to supervision of global energy issues, he was a member of the executive committees of EMEA countries, as well as a member of the Corporate and Investment Banking Committee.

Mr Kuijlaars is an adviser to several international organisations and for a long time was a member of the Foreign Investor Council of the President of the Republic of Kazakhstan. He was Chairman of the Board of Directors and independent director of National Company KazMunayGas, as well as an independent non-executive director and independent member of the Supervisory Board of Amsterdam Trade Bank N.V. He is the owner and managing director of Eureka (Energy) Ventures B.V.

Mr Kuijlaars received a Master's in law from Erasmus University (Netherlands). He studied at the Dutch Institute of Banks and Insurance Companies and in a number of postgraduate programmes in such international institutions as Fontainebleau (France), Cambridge (UK) and Harvard Business School (US).

MAZHIT YESSENBAYEV (b. 1949)

Member of the Board of Directors, Representative of Holding Group ALMEX

Mr Yessenbayev was elected to the Board of Halyk Bank in April 2014 and re-elected to the same post in May 2020.

Over the years, Mr Yessenbayev has held numerous important positions in Kazakhstan's government, including head of the Main Tax Inspectorate – first deputy minister of finance, Chairman of the State Tax Committee, governor of Karaganda region, minister of finance, minister of industry and trade, governor of Akmola region, Chairman of the Agency for Competition Protection and Chairman of the Customs Control Committee of the Ministry of Finance. He has also represented Kazakhstan in a number of international financial organisations.

Since February 2014, Mr Yessenbayev has been Chairman of the Management Board and a member of the Board of Directors of Holding Group ALMEX.

Mr Yessenbayev graduated from the Kazakh Polytechnic Institute named after V. Lenin with a degree in economics and management of the mining industry. He also completed postgraduate studies on the Council for the Study of Productive Forces under the State Planning Committee of the USSR, has a PhD in economics and is an associate professor.

CHRISTOF RUEHL (b. 1958)

Independent Director

Mr Ruehl was appointed to the Board of Halyk Bank in June 2007 and re-elected to the same post in May 2020.

Mr Ruehl previously worked at the University of California, Los Angeles, where he was an assistant professor of economics. He also worked for the World Bank Group as chief economist in Washington, chief economist in Moscow, and lead economist and sector leader in Brazil.

At British Petroleum, Mr Ruehl held the positions of deputy chief economist, group chief economist and vice president. In 2008, he became Chairman of the British Institute of Energy Economics, London. From July 2014 to May 2019, he was first global head of research at Abu Dhabi Investment Authority. In November 2019, he became a senior research scholar at the Center on Global Energy Policy at Columbia University's School of International and Public Affairs.

Mr Ruehl holds an MBA from the University of Bremen (Germany).

PIOTR ROMANOWSKI (b. 1969)

Independent Director

Mr Romanowski was elected to the Board of Halyk Bank in May 2020.

From 1998 to 2008, Mr Romanowski worked at the consulting company McKinsey & Company (Poland), including as a manager / senior manager until 2004 and as a partner from 2005 to 2008. From 2008 to 2009, he served as a member of the Management Board at Bank Millennium (Poland), overseeing the corporate banking division. In 2009, he became the first external investor in Selvita and Ryvu Therapeutics (Poland), where he has served as Chairman of the Supervisory Board since 2011.

From 2011 to 2014, Mr Romanowski was a partner and leader in financial services for Central and Eastern Europe / CIS at PwC (Poland). From 2014 to 2018, he served as a member of the Management Board of PwC Central and Eastern Europe / CIS in charge of advisory services; and from 2017 to 2018, he also a leader in the market for clients from CIS countries. Since February 2021, he has served as Chairman of the Board of Directors of Kevin EU, UAB (Lithuania).

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

UMUT SHAYAKHMETOVA (b. 1969)

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

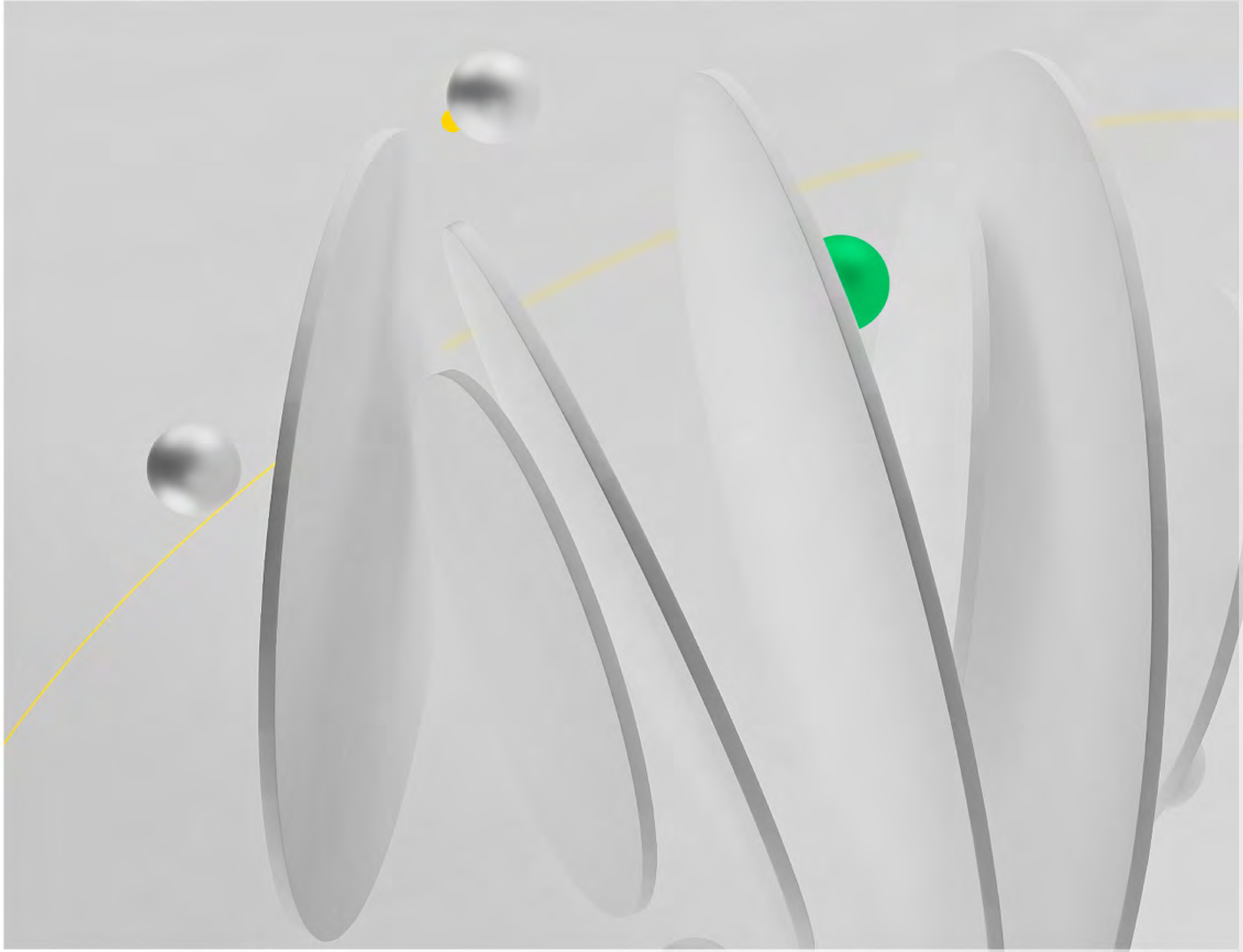
Ms Shayakhmetova was appointed as Chairperson of the Management Board of Halyk Bank on 22 January 2009. She was elected as a member of the Board of Directors in April 2009 and re-elected to the same post in May 2020.

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

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

7

Management board



7

Management Board

UMUT SHAYAKHMETOVA (b. 1969)

Chairperson of the Management Board

Please refer to the "Board of Directors" section.

AIVAR BODANOV (b. 1962)

Deputy Chairman: Security and Problem Loans

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

Mr Bodanov started his career in 1984 as a high-voltage overhead specialist for Dzhambul Grid Operating Company. He then worked as a specialist and senior producer at the Grazhdanstroy construction enterprise, as well as a chief engineer at the Kultbytstroy construction enterprise. In 1988-89, he attended the Sverdlovsk Higher Courses of the Ministry of Internal Affairs of the USSR. From 1990 to 2014, Mr Bodanov held numerous posts in the Department of Internal Affairs, the State Investigative Committee and the Tax and Financial Police. These included deputy head of the Agency of Kazakhstan for Combating Economic Crimes and Corruption; head of the Department for Combating Economic Crimes and Corruption in Almaty and West Kazakhstan regions; head of the Department for Investigating Economic and Financial Crimes under the Agency of Kazakhstan for Combating Economic Crimes and Corruption; deputy head of the Financial Police Department in Kyzylorda, South Kazakhstan and Atyrau regions; and others. From May to December 2017, Mr Bodanov served as head of the Internal Investigations Department and head of the Third Service of the General Prosecutor's Office of Kazakhstan. From February to March 2018, he was head of the Department of Internal Security and Prevention of Corruption in the Courts of the Department for the Support of the Courts of the Supreme Court of Kazakhstan.

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

7

Management Board

MURAT KOSHENOV, CFA, FRM (b. 1973)

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

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

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

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

YERTAI SALIMOV (b. 1974)

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

Mr Salimov has been deputy Chairman of the Management Board of Halyk Bank since September 2020 and held the same post from February 2015 to October 2019. In February 2019, he became a member of the Board of Directors at Halyk Finance. From August 2018 to November 2022, he was a member of the Supervisory Board of Halyk Bank Tajikistan. From October 2019 to August 2022, he was director of the Astana region branch of Halyk Bank. From March 2021 to February 2022, he was Chairman of the Supervisory Board at Halyk Collection.

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

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

OLGA VUROS (b. 1983)

Deputy Chairperson: Corporate Business

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

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

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

DAUREN SARTAYEV (b. 1982)

Deputy Chairman: SME Banking and PR

Mr Sartayev has been deputy Chairman of the Management Board of Halyk Bank since July 2018.

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

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

ROMAN MASZCZYK (b. 1966)

Deputy Chairman, Chief Compliance Controller: Compliance, Risks and DS, Collateral Service

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

Mr Mashchyk has worked at Halyk Bank since October 2020 and held the following positions: director and project manager of the Digital Lending Risk Department and director of the Chief Data Scientist Office. Before that, he served in numerous positions. These include deputy Chairman of the Management Board and director of the Risk Department at BankCenterCredit; commercial director of Asseco Kazakhstan; deputy Chairman of the Management Board of CRO; adviser to the Chairman of the Management Board of Eurasian Bank; adviser to the Chairman of the Management Board of Bank Pocztowy; adviser to the Chairman of the Management Board and managing director for Risks and Risk Management at PKO BP SA Poland; deputy Chairman of the Management Board at CRO Nadra Bank in Kyiv (Ukraine); chief risk adviser to the president and member of the Executive Committee at CRO National Bank Trust in Moscow (Russia); managing director for Risks and Risk Management at PKO BP SA Bank; member of the Supervisory Board at PKO BP SA Bank, PKO-Inwestycje and Bankowy Fundusz Leasingowy in Warsaw (Poland); director of the Financial Risk Department at PKO BP SA Bank; senior analyst for treasury bank transactions at Handlowy; chief analyst for Asset and Liability Management at the Control and Financial Analysis Faculty of BISE S.A. Bank; and professor in the Faculty of Physics at the University of Warsaw.

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

7

Management Board

NARIMAN MUKUSHEV (b. 1984)

Deputy Chairman: Digital Public Services and Ecosystems

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

Mr Mukushev has worked at Halyk Bank since May 2021, when he joined as managing director, before which he was deputy minister of labour and social protection of the population. Prior to that, he worked at Kazpost, where he was managing director for business transformation and member of the management board responsible for IT, managing director for innovation and member of the management board responsible for IT, chief IT director, and managing director and director of the IT Department. He also previously held positions ranging from specialist to director of the Innovative Technology Department at Kazkommertsbank.

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

ZHUMABEK MAMUTOV (b. 1982)

Deputy Chairman: Retail Banking

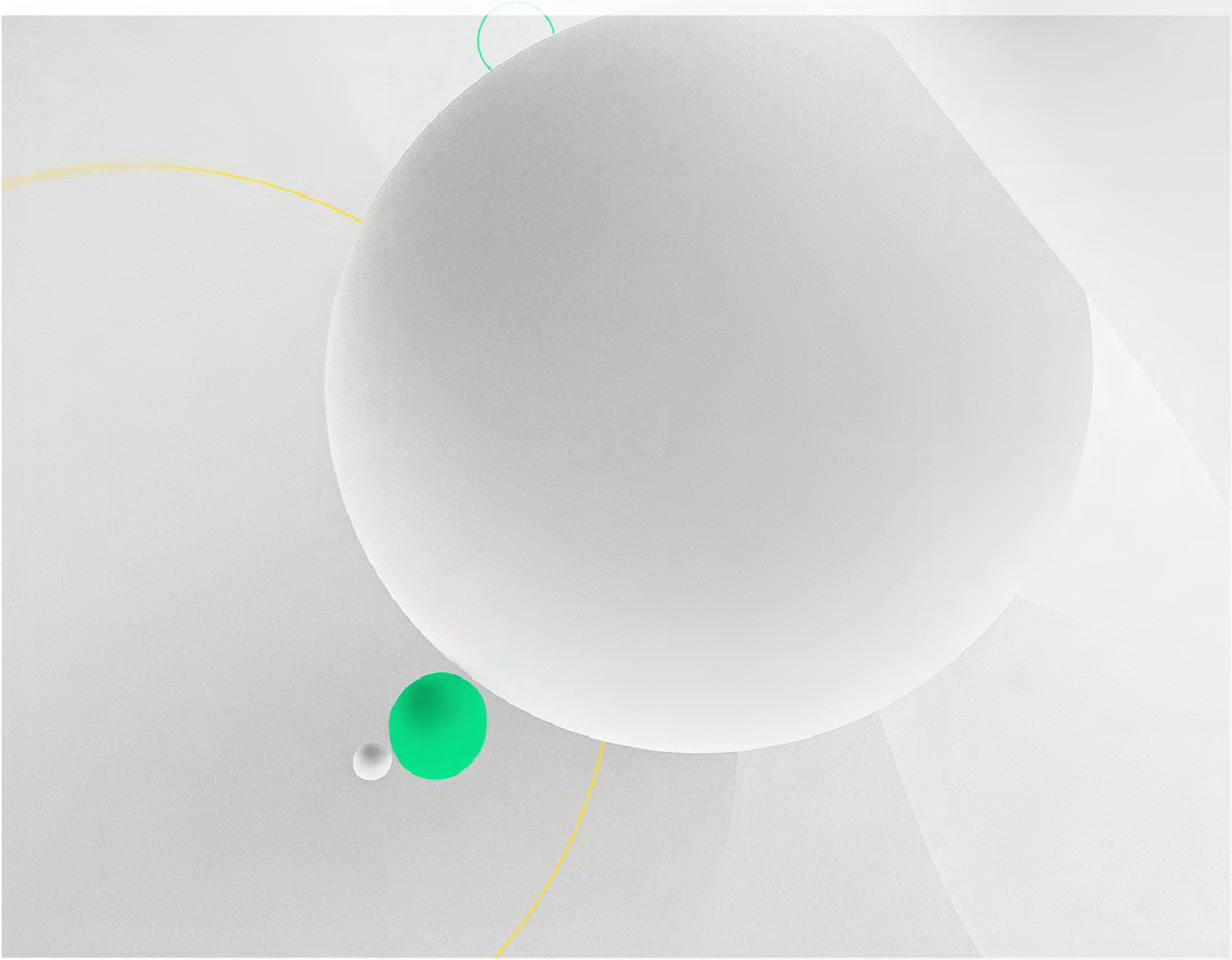
Mr Mamutov has been deputy Chairman of the Management Board of Halyk Bank since October 2019. In November 2021, he was appointed as a member of the Supervisory Board at Halyk Finservice.

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

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

8

Key events



KEY EVENTS

January

- Halyk Bank, as the leading financial institution in Kazakhstan and empathising with the situation people nationwide faced following the imposition of the state of emergency in the country, provided the following assistance:

  - Supported the measures taken by the government of Kazakhstan and the Agency for Financial Market Regulation and Development and granted loan payment deferrals during the state of emergency.

  - Allocated KZT3 billion to help the victims in the small and micro-business sector, as well as to rebuild destroyed facilities as soon as possible and resolve other matters requiring urgent solutions.

  - Allocated KZT5 million to support the families of fallen law enforcement professionals.
- Halyk Finance received a licence to carry out foreign currency exchange operations, excluding for foreign currency exchange operations in cash.
- The AM Best rating agency changed the outlook for Halyk Insurance Company from 'negative' to 'stable' and affirmed its financial strength rating at 'B++', the outlook 'good', and its long-term issuer credit rating at 'bbb', the outlook 'good'.

February

- Tenge Bank launched the Tenge 24 mobile app.
- Halyk Bank Kyrgyzstan and Megacom launched a remote customer identification project together.
- Halyk Finance was recognised as the best investment bank in Kazakhstan by Global Finance.

March

- AM Best affirmed Halyk Life's financial strength rating at 'B+' and long-term issuer credit rating at 'bbb-', the outlook 'positive'.
- Halyk Finance received the AIX Stock Exchange's "Retail Segment Development Award".
- Halyk Finance received KASE awards "For Support of the Exchange's Technology Projects" and "For Contribution to Investor Attraction".

April

- Fitch Ratings affirmed Halyk Finance's long-term foreign and local currency issuer default ratings at investment grade 'BBB-, the outlook 'stable'.
- Halyk Finance acted as financial advisor and underwriter of Halyk Bank's US$200 million, three-year, US dollar-denominated bond issue.
- Halyk Bank and the Kazakh subsidiary of Sberbank signed an assignment agreement under which a portion of the retail customer loan portfolio was purchased.

May

- At the international PLUS-Forum in Tashkent, Anton Musin, Chief Executive Officer for IT and Innovation of Halyk Bank, represented the financial institution at and spoke at the session "Implementation of innovations in fintech and retail as an important element of digital transformation". As part of the panel session, Anton Musin highlighted key aspects of digitalisation in the banking sector, using Kazakhstan and Uzbekistan as examples.
- Halyk Bank made it possible for Kazakh legal entities registered as LLPs to open accounts remotely.
- Tenge Bank launched issuance of Mastercard international payment system cards.
- Halyk Life distributed KZT168.5 million of profit from investments as insurance dividends to the holders of 24,000 endowment life insurance contracts.
- Halyk Insurance Company implemented a new reinsurance project for insurance partners of Tenge Bank.
- Halyk Finance acted as joint lead manager and bookrunner for the issue and placement of Development Bank of Kazakhstan's US$500 million, three-year US dollar-denominated Eurobonds.
- Halyk Finance acted as financial advisor and underwriter of Halyk Bank Georgia's three-year, US$15 million US dollar-denominated bond issue.
- S&P Global Ratings affirmed Halyk Bank's ratings at 'BB+'/'B', 'kzAA', the outlook 'stable'.

June

- The SME Banking Agency named Halyk Bank as the bank with one of the best ecosystems for business.
- Halyk Bank introduced a rapid money transfer service from Kazakhstan to Uzbekistan.
- The Ministry of Internal Affairs of Kazakhstan and Halyk Bank launched an online service that makes it possible to check a vehicle's history.
- Halyk Bank Kyrgyzstan introduced the "Narodny" online loans and began issuing Visa and Elkart digital cards through mobile internet banking.

July

- Halyk Life introduced a new borrower insurance with My Car.
- Halyk Bank Kyrgyzstan introduced "Kopilka" online deposits and transfers to Visa cards (Visa Direct).
- Tenge Bank launched online microloans.
- Halyk Finance won four awards from Cbonds Awards in the following categories: "Best Investment Bank in Kazakhstan", "Best Management Company in Kazakhstan", "Best Bond Market Analyst in Kazakhstan" and "Best Mobile Investment App in Kazakhstan".

- Halyk Finance acted as a joint underwriter for Kazakhstan Temir Zholy National Company's KZT118.9 billion, two-year bond offering.

August

- Halyk Bank introduced an online tax declaration service in the Onlinebank service for corporate customers.
- S&P Global Ratings assigned Halyk Life a long-term financial strength rating of 'BBB-' (Country Rating) and a Kazakhstan national scale rating of 'kzAAA', the outlook 'stable.
- Halyk Life implemented a new reinsurance project for insurance partners of Tenge Bank.
- Halyk Life made it possible to purchase a Halyk Kazyna insurance contract in the Halyk Homebank mobile app.
- Halyk Life made it possible to purchase a compulsory employee insurance contract with underwriting online.
- Halyk Insurance Company launched the "Insurance by subscription" product (CASCO, home and apartment).
- Halyk Bank Kyrgyzstan OJSC launched QR-code payments.
- Tenge Bank launched card issuance via card machines.
- Halyk Finance received awards from EMEA Finance in the "Best Investment Bank in Kazakhstan" and "Best Broker in Kazakhstan" categories.

September

- The investment banking teams of Halyk Finance and Halyk Global Markets merged to further develop both companies effectively.
- Each family affected by the fires in the Kostanay region received KZT1million tenge from Halyk Bank.
- Kazteleport opened a new Sairam processing centre with 120 racks (server cabinets designed to accommodate server and network equipment) in Almaty.
- Halyk Insurance Company launched a website to sell the "Insurance by subscription" product (https://sub.polisonline.kz/), which is also available in Halyk Homebank. As of 1 January 2023, there were 66,000 unique users.

October

- Halyk Bank was once again recognised as the best bank for SMEs in Kazakhstan.
- Kazteleport registered a subsidiary in Uzbekistan.
- Halyk Bank Kyrgyzstan launched public service payments through its mobile internet banking service and payment terminals.
- Halyk Finance registered a bond program of Samruk-Energy with a nominal value of KZT120 billion with the Agency for Financial Market Regulation and Development.
- Halyk Finance acted as underwriter for Eurasian Development Bank's KZT22.5 billion, two-year bond placement.

November

- Halyk Bank announced that it has entered into an agreement with International Bank of Tajikistan to sell 100% of Halyk Bank Tajikistan. International Bank of Tajikistan has received all necessary regulatory approvals.
- Halyk Bank Kyrgyzstan launched the Visa Token Service (Google Pay, Garmin Pay).
- Halyk Finance placed 7 bond issues for the Kazakhstan Sustainability Fund totalling KZT48.8 billion.
- Halyk Finance signed an agreement with Unified Accumulative Pension Fund for the trust management of pension assets.
- Fitch Ratings affirmed Halyk Bank Georgia's long-term rating at 'BB+', the outlook 'stable'.

December

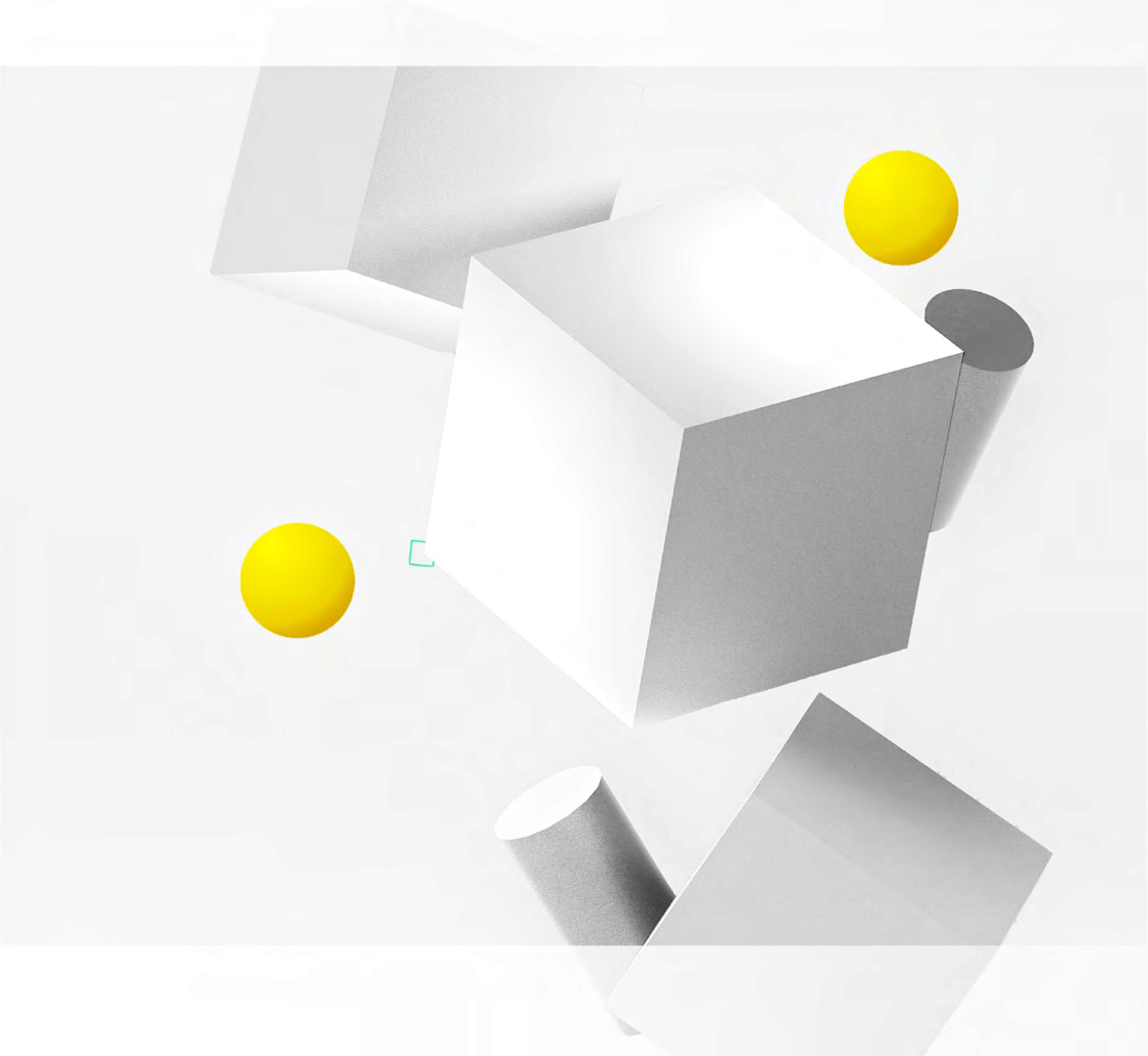
- Halyk Bank was recognised as the best bank in the country in three categories by Asiamoney: Best Investment Bank, Best Bank for ESG, and Best Bank for Diversity and Inclusion.
- Halyk Finservice and Tenge Bank started the process of launching the Tenge Marketplace in Uzbekistan.
- Kazteleport put into operation Kazteleport Cloud infrastructure for the sale of IaaS and PaaS services, as well as a microservices platform.
- Halyk Life introduced the new "Tumar" savings life insurance product (online life insurance).
- Halyk Life automated the process of crediting payments for endowment insurance.
- Halyk Life obtained a new licence including a new class of insurance, "life insurance under the state educational savings system".
- Halyk Finance completed the sale of KazMunayGas shares as part of the IPO. As a result, Samruk-Kazyna sold a total of 18,303,584 common shares on AIX and KASE for a total of KZT153.9 billion, representing 3% of the total number of KMG common shares outstanding. Halyk Group and its customers accounted for 34% or KZT52 billion of the total offering of KZT154 billion. Overall, 71% of satisfied IPO bids were submitted by Halyk Group and its clients.
- According to Cbonds, Halyk Finance became the leader in the ranking of arrangers of market bond issues in Kazakhstan with a total volume of KZT287.9 billion and a market share of 31.9%.

During the year

- As part of Halyk Life's financial literacy programme, regional face-to-face management meetings were held with more than 230 journalists from regional media outlets at the company's branches.
- Halyk Life integrated the company's systems with the state databases (SCB JSC).

9

Awards



ECOSYSTEMS FORMATION

AWARDS

HALYK BANK

SME BANKING AGENCY

Best Ecosystem for Business in Kazakhstan

ASIAMONEY

Best Bank for Diversity and Inclusion in Kazakhstan

Best Bank for ESG in Kazakhstan

Best Investment Bank in Kazakhstan

GLOBAL FINANCE

Best SME Bank in Kazakhstan – 2023

INTERNATIONAL BUSINESS MAGAZINE

Best Digital Transformation in Kazakhstan – 2022

Best Retail Bank in Kazakhstan – 2022

PWC

Annual Report / 2021 ESG Report is included in the Top 10 of the ESG Disclosure Rating

KASE

Best Annual Report for 2021 /

Best ESG Report for 2021

NINTH ANNUAL HEADHUNTER HR BRAND AWARDS

Winner of second place for the project "Halyk Academy – Investment in the Development of the Country's HR Potential"

HALYK FINANCE

KASE

Equity Market Leader – 2022

For Significant Contribution to Attracting Investors

For support Exchange's Technological Projects

Best underwriter – 2022

CBONDS

Best Bond Market Research in Kazakhstan

Best Mobile Application for Investments in Kazakhstan

Best Asset Management in Kazakhstan

Best Investment Bank in Kazakhstan

EMEA FINANCE

Best Investment Bank in Kazakhstan

Best Broker in Kazakhstan

GLOBAL FINANCE

Best Investment Bank in Kazakhstan – 2022

ASTANA INTERNATIONAL EXCHANGE

For Development of the Retail Segment

Best Broker in Debt Instruments

TENGE BANK

ASIAMONEY

Best Foreign Bank 2022

HALYK BANK KYRGYZSTAN

VISA

- Best Tap to Phone Acquirer
- For Launching Google Pay

GLOBAL BANKING AND FINANCE

Most Innovative Retail Banking App in Kyrgyzstan – 2022

INTERBANK PROCESSING CENTRE OF KYRGYZSTAN

Bank of the Year for Volume of Active TCPs (QR code payments)

HALYK COLLECTION

STANDARD CHARTERED RATING

Award for high reputation 2022

HALYK BANK

100 Halyk

10

Macroeconomic and banking review

MACROECONOMIC AND BANKING REVIEW

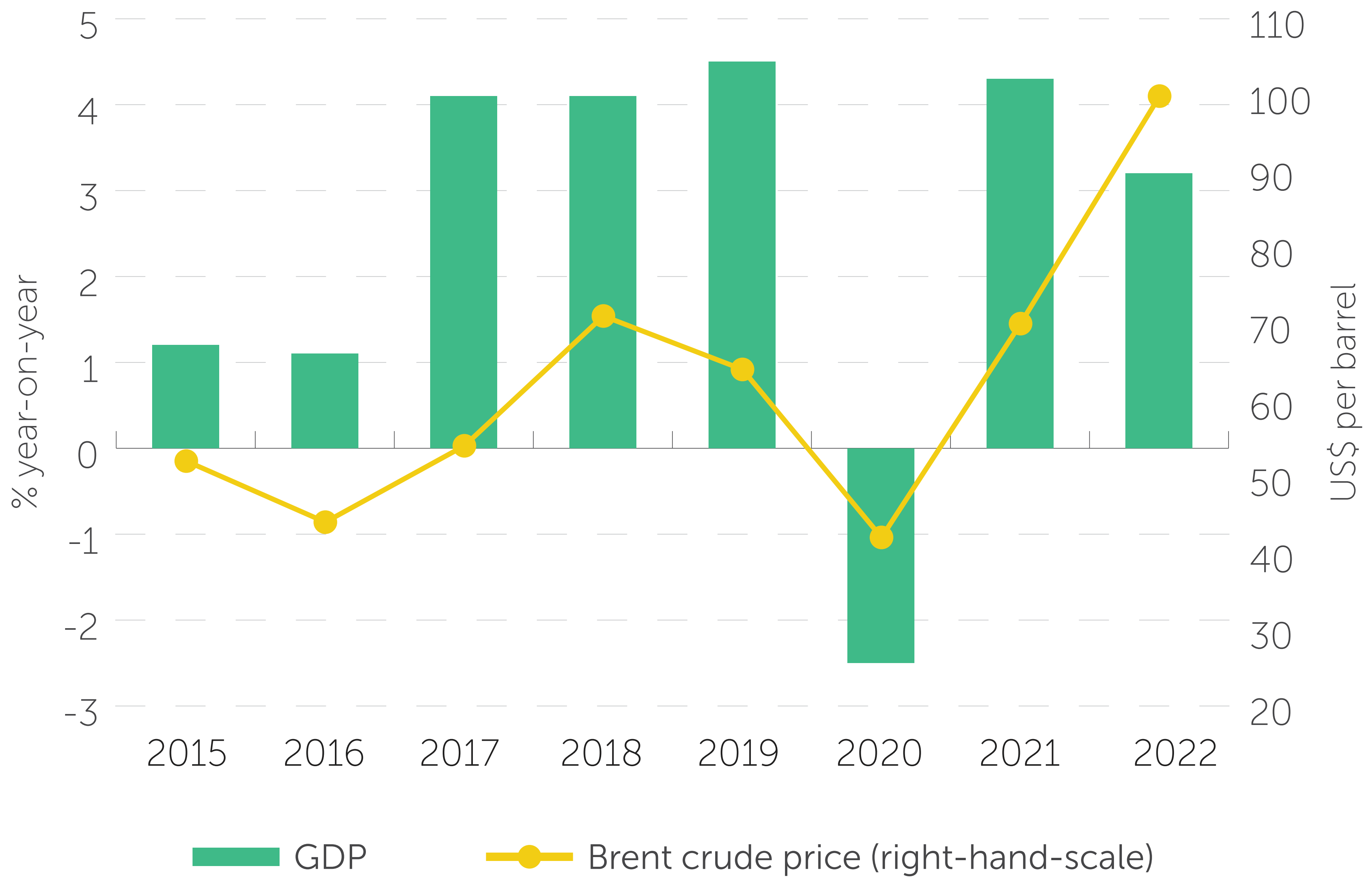
In 2022, Kazakhstan's economy experienced similar difficulties as the global economy: record consumer inflation, rapid and widespread monetary tightening, reduced household consumption, a deteriorating residential property market and the negative impact of the military conflict in Ukraine. In addition, an accident at Kashagan reduced oil production at the field by more than 10%, and national output fell to its lowest since 2017 (84.1 million tonnes). In 2022, the country's economy benefited from fiscal stimulus, external demand and high hydrocarbon prices, as well as a record grain harvest. As a result, the Kazakh economy grew by 3.2% year-on-year in 2022.

The slowdown in economic growth from 4.3% year-on-year in 2021 was also a consequence of the January events, which affected business activity and domestic household consumption. The ensuing conflict in Ukraine impacted the economies of the country's main trading partners and triggered disruptions in the established supply chains between countries. This indirectly contributed to the acceleration of consumer inflation in Kazakhstan to levels unseen since the 1990s.

The International Monetary Fund estimates that global GDP growth slowed from 6.2% in 2021 to 3.4% in 2022. The numerous difficulties that gripped the global economy last year, including the military conflict in Ukraine, high consumer inflation and synchronised monetary tightening, acted as major impediments to economic growth.

In the context of slowing GDP growth, it is important to note the residential real estate market, which entered a phase of gradual stabilisation after the boom of previous years. While market activity remained high in the first quarter of 2022, it began to fade following a reduction in pension savings inflows. The decline in housing market activity was driven by the winding down of preferential mortgage programmes, an increase in the National Bank of Kazakhstan's base rate and a significant rise in the cost of real estate itself, which has increased by more than a third over the past two years on the primary market.

Economic growth in Kazakhstan and oil prices



Source: Bureau of National Statistics, Bloomberg

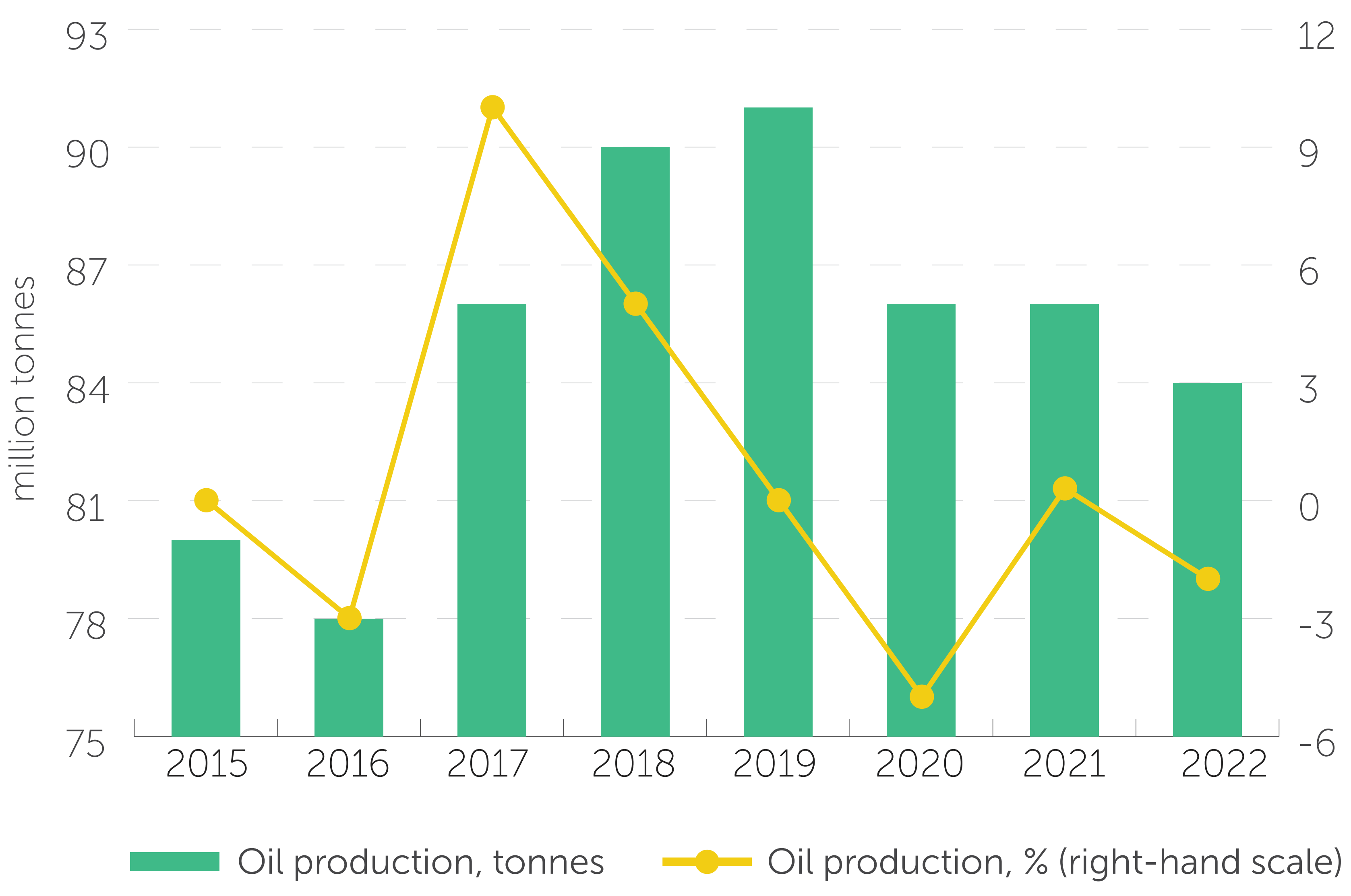
Against a generally subdued general economic background, favourable climatic conditions in 2022 contributed to the largest grain harvest in the past decade, which drove nearly double-digit growth in gross agricultural output (up 9.1% year-on-year).

Amid heightened global geopolitical tensions and record growth in consumer prices, government support for the economy increased significantly. The main driver of the budgetary impetus was a 19.9% year-on-year increase in state budget spending to KZT21.5 trillion in 2022 (up 7.3% year-on-year from KZT18 trillion in 2021).

In 2022, industrial growth slowed to 1.1% year-on-year, compared with 3.8% year-on-year in 2021. In recent years, industrial and GDP growth have been broadly the same in the country (around 4%). This is the first time since 2017 that such low growth has been observed in industry, not counting the crisis year of 2020. The main contributor to the slowdown was the mining sector (down 1.0% year-on-year). In 2022, there were declines in the production of oil (down 1.9% year-on-year), gas (down 1.0% year-on-year), coal (down 0.7% year-on-year) and ores (from -3 to -16% year-on-year). Oil output was impacted by maintenance work at the country's three largest oil fields, which produce around 60% of its oil, as well as disruptions to the CPC pipeline, Kazakhstan's main conduit for hydrocarbons to external markets. As a result, Kazakhstan's oil production totalled 84.1 million tonnes in 2022, compared with the peak of 90.6 million tonnes in 2019. Meanwhile, due to sustained external demand from major trading partner countries, foreign trade conditions have been favourable for Kazakhstan. For example, the export price index climbed by 31.9% year-on-year in 2022.

During the reporting period, oil prices remained at very comfortable levels for Kazakhstan. The annual average price of Brent crude was US$99.8 per barrel, up 41.7% year-on-year and the highest since 2014. Prices were driven by growing global demand after the rollback of COVID-19 restrictions, energy supply regulation by OPEC+ and the continued low levels of global oil reserves, which are at the lowest in five years. Meanwhile, strategic hydrocarbon reserves in the US have generally fallen to their lowest in 40 years. The sanctions on Russia, one of the world's top three oil producers, have also contributed to the volatility in crude prices.

Oil production in Kazakhstan



Source: Bureau of National Statistics, Bloomberg

In 2022, manufacturing expanded by 3.4% year-on-year. The slowdown in gross output was mirrored by declines in pharmaceutical production (down 10.3% year-on-year) and ferrous metallurgy (down 3.2% year-on-year), as well as a slowdown in oil refining (from 6.5% to 1.8% year-on-year), machinery construction (from 20.4% to 9.4% year-on-year) and numerous other industries.

After construction, agriculture was the second fastest growing sector in 2022, up 9.1% year-on-year (down 2.2% year-on-year in 2021) amid an increase in gross crop production (up 15% year-on-year). According to government statistics, threshing of grain and leguminous crops increased by 39% year-on-year to 22.8 million tonnes, while the gross yield of wheat climbed by 44% to 17 million tonnes. This enabled the country to export more than 13.2 million tonnes of grain and flour in 2022 (9.1 million tonnes in 2021), a new record. Agriculture accounts for more than 5% of Kazakhstan's GDP and observers believe that it has decent potential for further growth.

In addition to industry, the telecommunications sector slowed while still maintaining relatively high growth of 8.0% year-on-year (up 12.9% year-on-year in 2021). In domestic trade (wholesale and retail), growth slowed to 5.0% year-on-year (up 9.2% year-on-year in 2021). Growth in the construction industry, despite mixed intra-year dynamics, accelerated to 9.4% year-on-year in 2022, up from 8.3% year-on-year in 2021. The main driver was non-residential construction, up 21.7% year-on-year, while residential construction increased by 13.7% year-on-year.

As a result, despite the high growth in agriculture, construction and telecommunications, their low weight in GDP could not compensate for the decline in industrial output, which ultimately contributed to Kazakhstan's subdued economic growth.

In 2022, stable external demand and relatively high energy costs drove Kazakhstan's exports up by around 40% year-on-year. According to preliminary estimates, the foreign trade surplus was US$35.1 billion, up 82% year-on-year and four times higher than in 2020. Meanwhile, the country's foreign trade growth was not hampered by the logistical disruptions from the war in Ukraine.

Exports of goods amounted to US$84.4 billion, up 40% year-on-year and 78% over 2020. The main drivers of this were oil and metals. In 2022, for example, exports of oil surged by 51% to US$46.9 billion (56% of total exports), while those of copper rose by 15% to US$3.7 billion, of ferroalloys by 51% to US$3.4 billion, of uranium by 95% to US$3.4 billion and of copper ore by 51% to US$2.4 billion. There was also high growth in shipments of wheat (up 37%), oil products (up 73%), coal (up 2.4 times), zinc (up 43%) and sulphur (up 91%).

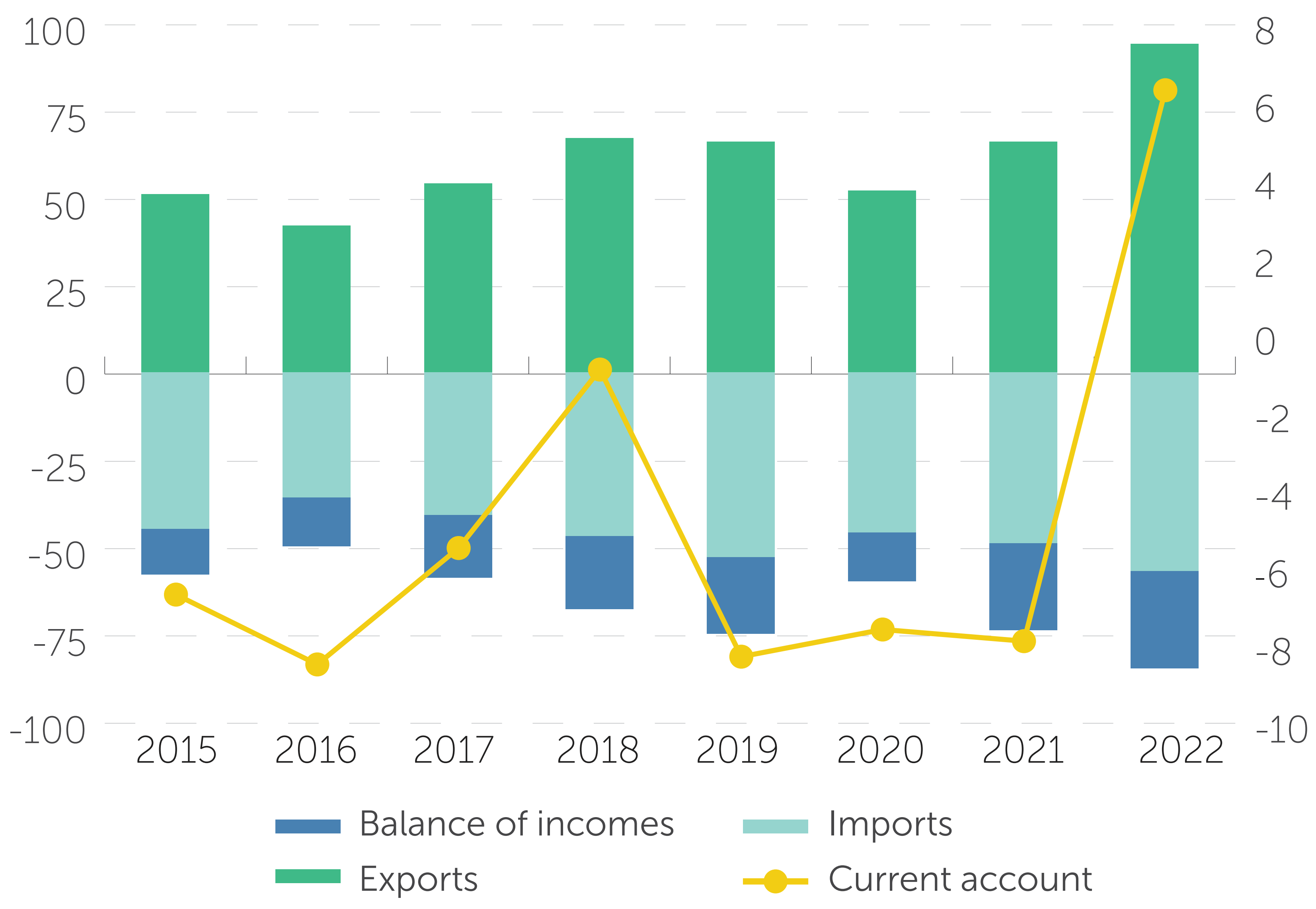
In 2022, Kazakhstan's imports of goods reached US$50 billion for the first time, surpassing the previous record of US$48.8 billion in 2013. The main drivers were an increase in imports of machinery by 11% to US$13.2 billion, of vehicles by 44% to US$6.5 billion, of food products by 19% to US$4.4 billion and of chemicals by 27% to US$4.1 billion.

The import growth partly reflected the high global inflation in 2022 (up 9.7% year-on-year), caused by higher raw material prices, supply chain disruptions and the implementation of investment projects in the Kazakhstan, which generated demand for investment goods.

According to preliminary estimates of the National Bank of Kazakhstan, the country's current account recorded a surplus of US$6.3 billion in 2022 (versus a deficit of US$7.9 billion in 2021), the highest in 11 years (US$6.1 billion in 2014). The surplus in 2022 was boosted by a 1.9x expansion in the trade account surplus to US$35.1 billion and a 24.8% year-on-year reduction in the services account deficit to US$1.4 billion. Meanwhile, increase in the deficit of the primary income account by 10.3% year-on-year to US$26.7 billion and the secondary income account by 33.7% year-on-year to US$814.4 million restrained further expansion of the current account surplus.

In 2022, despite the monetary tightening and global rise in interest rates, investment activity in Kazakhstan increased significantly, supporting growth on the consumption side of the economy. In nominal terms, capital investments amounted to KZT15.1 trillion, up from KZT13.2 trillion in 2021. In dollar terms, investments amounted to US$32.6 billion, exceeding the figures for the previous 2 years and slightly falling short of US$32.9 billion in 2019. The highest investment in fixed assets was in 2013 at around US$40 billion, while the lowest was in 2016 at US$22.7 billion. As such, in 2022, investment activity recovered to the pre-pandemic level.

Current account surplus, US$ bn



Source: NBK

Investment growth was boosted by the oil extraction sector, which expanded by 22.5% year-on-year to KZT3.4 trillion. Given this growth, the share of mining investments in 2022 accounted for almost 30% of all investments in the country's economy. Investments in the manufacturing industry, on the contrary, were negative in 2022, down 5.6% year-on-year to KZT1.5 trillion (10% of the total). This contraction was due to a decline in the oil refining and chemicals sectors and a high base in 2021, when growth was 38.1% year-on-year. In contrast, investments in metallurgy increased by 28% year-on-year, food processing by 15.7% year-on-year and other non-metallic mineral products by 14.5% year-on-year.

In 2022, investments increased notably in real estate (up 15.2% year-on-year), construction (up 65.9% year-on-year), domestic trade (up 17.3% year-on-year) and telecommunications (up 18.4% year-on-year).

Retail turnover increased by 2.1% year-on-year in 2022 (up 15.0% year-on-year in nominal terms). Retail sales amounted to KZT15.8 trillion in nominal terms, compared with KZT13.7 trillion in 2021, of which food sales accounted for 35.6% (37.2% in 2021) and non-food sales 64.4% (62.8% in 2021).

Food sales decreased by 5.4% year-on-year in 2022 amid a decline in sales in about half of the country's regions. Given the increase in food sales turnover in nominal terms by 12.8% year-on-year, it turns out that the population spent considerably more money in 2022 to buy much less food. This was influenced by record food inflation, which accelerated to 25.3% year-on-year in December 2022.

Meanwhile, sales of non-food products increased by 6.6% year-on-year in real terms and by 21.0% year-on-year in nominal terms. The higher rate of consumption of non-food goods was driven by consumer lending, which climbed by 25.2% year-on-year in 2022 (up 40% year-on-year in 2021).

The National Bank of Kazakhstan's tighter monetary policy impacted household consumer spending, which can be seen in greater savings amid higher market interest rates. In 2022, private deposits at second-tier banks increased by 18% year-on-year to KZT15.6 trillion (up 22.9% year-on-year in 2021 due to withdrawals of pension savings). An additional driver of household savings was the government programme offering a 10% premium on tenge deposits.

Another government initiative aimed at supporting household income was an increase in wages and pensions, which affected workers in both the public and private sectors. It was achieved primarily through a rise in the minimum wage from KZT42,500 to KZT60,000 (up 41%) in 2022. According to estimates from government agencies, the increase covered more than 1 million workers in the public sector and those in the quasi-public sector. In addition, the incomes of some 2.8 million workers at major businesses increased, which provided some support to consumer activity. Salary expenditures from the budget rose by KZT622 billion last year, which markedly offset higher inflationary costs.

Retail turnover in Kazakhstan

Source: Bureau of National Statistics, Bloomberg

In 2022, state budget revenues excluding transfers from the National Fund increased by 38.1% year-on-year to KZT15.7 trillion, more than double the growth in 2021 (up 16.4% year-on-year). Tax contributions and other payments both helped to increase budget revenues: tax revenues were up 38.4% year-on-year and other non-tax revenues were up 32.4% year-on-year.

Budget revenues from the National Fund amounted to KZT4.6 trillion, slightly less than the KZT4.8 trillion in the pandemic year of 2020. Despite this high figure, the share of transfers in total budget revenues decreased amid growth in state budget revenues, from 28% in 2021 to 23% in 2022. This was the lowest since 2013 and primarily due to the significantly higher budget revenues in the past year. The National Fund received revenues of KZT5.2 trillion in 2022, KZT0.6 trillion higher than withdrawals, indicating that it worked as intended by accumulating assets. Meanwhile, in 2021, withdrawals exceeded inflows to the National Fund by KZT1 trillion. In 2022, total state budget revenues including transfers from the National Fund grew by 27.8% year-on-year to KZT20.2 trillion.

Overall, in 2022, the tax revenue situation improved considerably, despite the unevenness of tax revenues from the country's commodity sector. The rise in tax revenues by almost 40% was to some extent the result of record inflation in Kazakhstan, which exceeded 20% in the reporting period.

Government budget expenditures for 2022 increased by 19.9% year-on-year to KZT21.5 trillion, compared with KZT18 trillion in 2021. Spending increased at double-digit growth rates across almost all budget lines, except for healthcare (down 6.5% year-on-year).

State budget expenditures rose by a total of KZT3.6 trillion in 2022. The largest single increase was for education (up KZT841 billion). Amid greater overall state support, there was a marked increase in budget spending on the economy (up KZT563 billion).

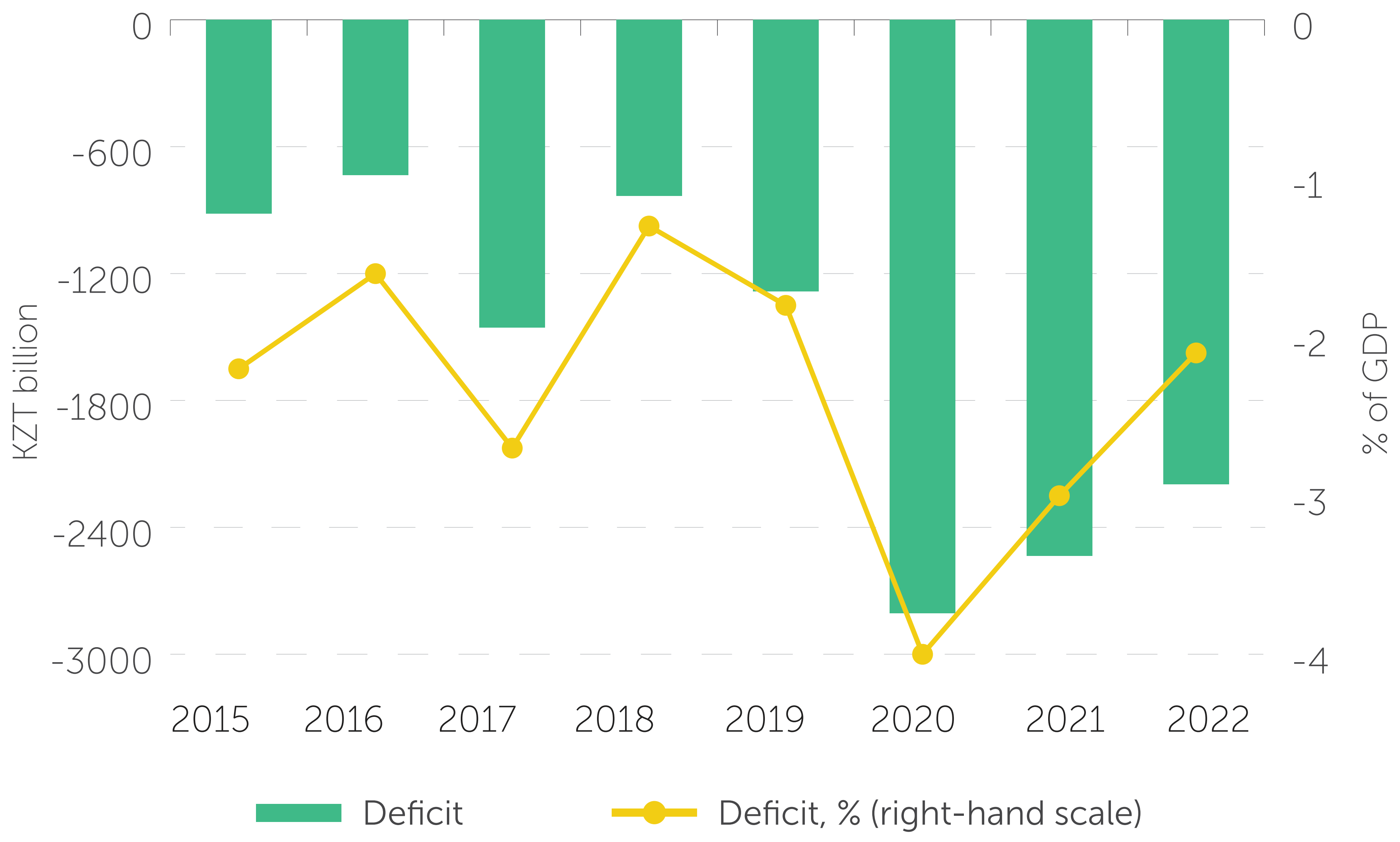
Social security spending increased by almost KZT0.5 trillion, while payroll expenditure went up by KZT0.6 trillion, which in turn significantly offset the elevated inflationary costs of employees during the year. Taken together, spending on defence (up KZT368 billion), general services (up KZT355 billion) and law enforcement and security (up KZT316 billion) increased by more than KZT1 trillion.

Budget expenditures to service public debt in 2022 increased by 32% year-on-year (up KZT329 billion) and outpaced total budget expenditure growth (up 19.9% year-on-year). Spending on public debt servicing was almost KZT1.4 trillion, which was comparable to expenditure on infrastructure and exceeded defence spending.

During the year, the country's public finances improved markedly. In January-May, for example, there was a steady state budget surplus, which averaged KZT251 billion a month. However, the economic slowdown, combined with the expanding fiscal impulse, eventually led to a state budget deficit of KZT2.2 trillion for the year. That said, this was lower than the deficits of KZT2.5 trillion in 2021 and KZT2.8 trillion in 2020. Meanwhile, the actual deficit was also better than the KZT3 trillion projected by the government for 2022. Overall, in 2022, the state budget deficit returned to pre-pandemic levels.

Government debt amounted to KZT22 trillion (up 17.5% year-on-year) at the end of 2022, nearly twice that in 2018.

State budget deficit of Kazakhstan



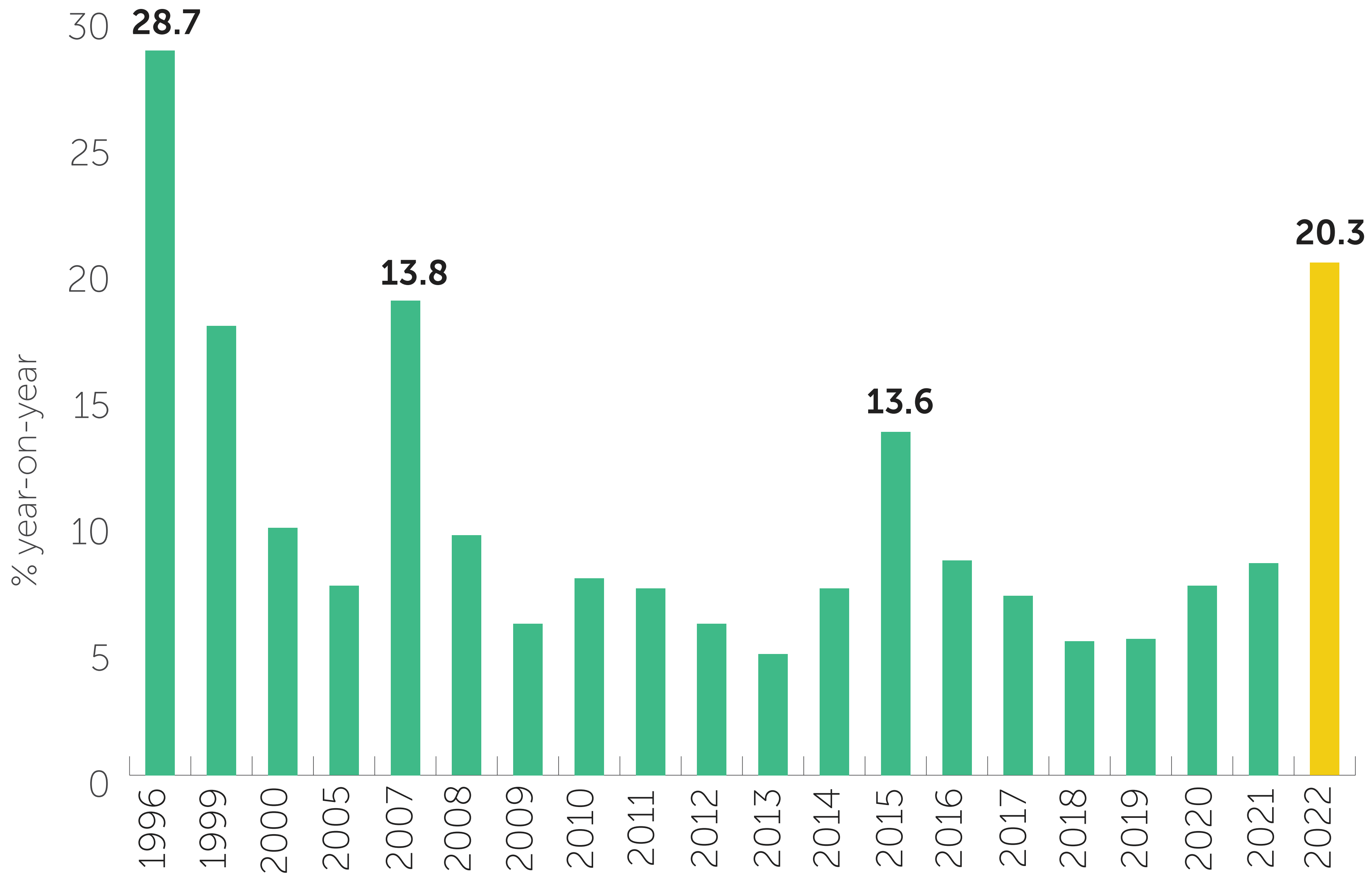
Source: Ministry of Finance of Kazakhstan

The consumer inflation rates accelerated to 20.3% in 2022, from 8.4% in 2021. Prices rose throughout the year and inflation reached its highest since 1996 (28.7%). The fastest growth for 2022 was in food prices, which rose by 25.3% year-on-year from 9.9% year-on-year in 2021 and approached the high of 26.6% year-on-year seen in 2007. Non-food prices accelerated from 8.5% year-on-year in 2021 to 19.4% year-on-year in 2022, nearly reaching the high of 22.6% year-on-year in 2015. Prices of paid services increased from 6.5% year-on-year to 14.1% year-on-year over the same period, also close to the high of 15.4% year-on-year seen in 2007. Approximately 50% of the growth dynamics of the consumer price index was generated by food products.

Meanwhile, external inflationary pressures on foodstuffs continued to fall. According to the World Food Organisation, the food price index decreased in December 2022 for the ninth month in a row. The food price index fell by 1% year-on-year in December to 132.4, due to a slump of 19.1% year-on-year in the price of oil. The prices of the other components of the index were higher than in the previous year, including dairy (up 7.9% year-on-year), cereals (up 4.8% year-on-year), meat (up 2.5% year-on-year) and sugar (up 0.6% year-on-year).

The effects of the pandemic and government measures to support the economy, together with the military confrontation in Ukraine, triggered a significant price increase in 2022. State budget expenditures increased by 19.9% year-on-year, nearly twice the 2018 figure. The increase in public expenditure was reflected in higher minimum and average wages across the country. They also contributed to greater investment in housing construction, which came amid an increase in home prices. Together with extra-budgetary funds, the fiscal impulse created considerable inflationary pressure for the national economy.

Consumer inflation, 1996-2022



Source: Bureau of National Statistics, Bloomberg

The negative external backdrop in 2022 also impacted the national currency, which depreciated by 8.1% against the US dollar, from KZT426 to KZT460.5 (annual average exchange rate). At one point, the tenge exchange rate reached KZT512.2 against the US dollar. Meanwhile, the tenge also weakened by 20% against the Russian ruble. Given the prevailing volume of imports from Russia, this further exacerbated inflationary pressures on the economy.

National Bank of Kazakhstan monetary policy

During 2022, the National Bank significantly tightened its monetary policy, raising the base rate from 9.75% to 16.75%. Meanwhile, consumer inflation accelerated from 8.4% year-on-year to 20.3% year-on-year in December 2022.

On the demand side, all components of aggregate demand experienced strong growth. For example, in 2022, retail trade rose by 15.0% year-on-year in nominal terms (16.9% year-on-year in 2021), while the household consumer credit portfolio increased by 25.2% year-on-year (up 40% year-on-year in 2021). Fixed capital investment in real terms increased from 3.5% year-on-year in 2021 to 7.9% year-on-year in 2022, approaching the 8.5% year-on-year seen in 2019. In addition to an increase in investment activity, there was also an increase in state budget expenditures, which expanded by 19.9% yoy in 2022. The increase in budget expenditure and transfer of external inflation through foreign trade (import growth of 19.6% year-on-year for 2022), as well as the impact of the large-scale migration of Russian citizens, created considerable inflationary pressure for the economy.

On the supply side, relatively high prices for energy, metals and fertilisers, as well as the changes in supply logistics, contributed to inflationary pressure for the economy. Not least, the significant geopolitical tension and sanctions imposed by Kazakhstan's foreign trade partners helped to drive prices on the supply side. Prices of imports from CIS trading partners increased by 23.9% year-on-year in 2022 (up 23.3% year-on-year in 2021).

In December 2022, following a regular meeting, the National Bank of Kazakhstan's Monetary Policy Committee announced that the rate of consumer inflation would start to decelerate by the end of 2023, after peaking in the first quarter.

Kazakh banking sector

In 2022, the loan portfolio of commercial banks reached KZT22,812 billion in nominal terms, while its annual growth slowed from 26.5% in 2021 to 23.3% in 2022. Notably, the retail loan portfolio increased by 31.8% year-on-year to KZT14,158 billion (up 42.7% year-on-year in 2021), while the corporate loan portfolio increased by 11.5% year-on-year to KZT8,654 billion (up 9.3% year-on-year in 2021). Loans denominated in local currency increased by 26.4% year-on-year (up 30.3% year-on-year in 2021), while those denominated in foreign currencies decreased by 3.1% year-on-year (up 0.7% year-on-year in 2021).

Consumer lending growth decreased from 40.0% year-on-year in 2021 to 25.2% year-on-year in 2022. The pace of lending for residential construction and home buying was roughly flat at 39.3% year-on-year in 2022, compared with 40.3% year-on-year in 2021. The share of residential construction loans in the loan portfolio was 21.3% (18.9% in 2021), or KZT4,865 billion (40.3% year-on-year, or KZT3,493 billion as at 31 December 2021), while the share of consumer loans increased to 33.7%, or KZT7,698 billion (33.2%, or KZT6,147 billion as at 31 December 2021).

The share of loans overdue for more than 90 days (NPL90+) was 3.4% at the end of 2022 (3.3% at the end of 2021). For 2022, in nominal terms, the NPL90+ figure was up 21.8% (down 24.8% year-on-year in 2021) at KZT814.6 billion.

The deposit portfolio totalled KZT30,935 billion in nominal terms. In 2022, the deposit portfolio of commercial banks increased by 14.2% year-on-year (up 22.7% year-on-year in 2021), driven by increases of 18% year-on-year in retail deposits (up 22.9% year-on-year in 2021) and 10.5% year-on-year in corporate deposits (up 22.5% year-on-year in 2021). Broken down by currency, tenge deposits increased by 22% year-on-year to KZT21,150 billion, while foreign currency deposits rose by 0.2% year-on-year to KZT9,785 billion. Retail deposits in tenge increased by 26.3% year-on-year to KZT10,998 billion, while corporate deposits rose by 17.6% year-on-year to KZT10,152 billion.

As of the end of December 2022, total liquidity withdrawn by the National Bank of Kazakhstan was up 6.4% year-on-year at KZT3,748 billion. The main instruments that it withdrew were short-term notes (KZT2,236 billion) and deposits (KZT895 billion). Balances in correspondent accounts were at (KZT627 billion). Overall, at the year-end, the volume of sterilised liquidity was 10.9% of the money supply (11.3% in 2021) and 15.5% of the gross loans (16.8% in 2021) of the second-tier banks.

The banking sector's net income amounted to KZT1,466 billion in 2022, up 13.7% year-on-year (up 77.6% year-on-year in 2021). In the reporting period, net interest income of commercial banks increased by 34.9% year-on-year to KZT2,080 billion, while net fee and commission income increased by 1.0% year-on-year to KZT602.8 billion. Provision recovery income fell by 19.8% year-on-year to KZT1,309 billion. Meanwhile, the return on assets of banks declined from 3.7% year-on-year in 2021 to 3.6% in 2022. Banking sector capital increased by 15.3% year-on-year (up 14.7% in 2021) to KZT5,227 billion.

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Financial review

ECOSYSTEMS FORMATION

FINANCIAL REVIEW

Net profit attributable to common shareholders amounted to KZT553.8 billion in 2022, up 19.8% compared with KZT462.4 billion in 2021. This was mainly the result of significant growth in the lending business, including the acquisition of Sber's loan portfolio, as well as an increase in net gain on foreign exchange operations and net fee and commission income.

Interest income surged by 41.8% year-on-year in 2022, primarily due to a higher average rate and balances of loans to customers. Interest expense rose by 57.4% year-on-year, mostly because of the growth in average rate and balances due to customers. Consequently, net interest income grew by 30.6% year-on-year. In 2022, net interest margin was affected by the increase in average rates on both loans to customers and amounts due to customers following the base rate hike from 9.75% to 16.75% in the year. The share of loans to customers in total interest-earning assets also rose. In addition, there was an increase in the average rate and average balances of foreign currency amounts due from credit institutions and interest-earning foreign currency cash and cash equivalents following the global increase of US dollar-denominated interest rates. As a result, net interest margin climbed to 5.6% in 2022, compared with 5.2% in 2021.

The cost of risk on loans to customers was 1.2% in 2022, reflecting more normalised credit loss expenses on the corporate and SME loan portfolio and higher credit loss expenses on the retail loan portfolio.

In 2022, the fee and commission income and expense line was driven largely by higher transactional activity amid client inflow due to changes in the operating landscape. Net fee and commission income rose by 25.8% year-on-year as a result of greater net transactional income of both legal entities and individuals[1]. It was also supported by increased fees on letters of credit and guarantees issued amid overall growth in the volume of this business.

Net foreign exchange gain increased by 5.9x year-on-year in 2022, mainly due to the volatility of exchange rates and interest rates, which resulted in significant growth in net dealing income.

Other non-interest income[2] dropped by 81.3% year-on-year in 2022, primarily because of the loss and other related expenses on disposal of subsidiaries amid the sale of subsidiary banks in Tajikistan and Russia.

Net insurance income[11] fell by 50.3% year-on-year in 2022 amid insurance reserve expenses on unsecured consumer loans bundled into borrowers' life insurance products.

Operating expenses rose by 11.7% year-on-year in 2022, mainly due to the indexation of salaries and other employee benefits starting from 1 March 2022, the employee premiums reserve accrued in 2022, and greater charity expenses and IT investments.

The cost-to-income ratio decreased to 19.0%, compared with 24.1% in 2021, amid higher operating income in 2022.

(1) Transactional income of individuals, less transactional expenses of individuals and less loyalty programme bonuses

(2) Other non-interest income (net (loss)/gain on financial assets and liabilities at fair value through profit or loss, net realised (loss)/gain from financial assets at fair value through other comprehensive income, share in profit of associate, income from non-banking activities, other (expense)/income and loss on disposal of subsidiaries)

(3) Insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums, ceded reinsurance share) less insurance claims incurred, net of reinsurance (insurance payments, insurance reserves expenses, commissions to agents)

As at the year-end, total assets were up 18.4% year-to-date. This was due to the growth in amounts due to customers to support the expansion of the lending business.

Compared with the end of 2021, loans to customers were up 32.5% on a gross and 33.8% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 35.1% in corporate, 23.8% in SME and 32.7% in retail loans.

As at the year-end, the Stage 3 ratio stood at 7.5%, down year-on-year amid the recovery and repayment of corporate problem indebtedness.

Compared with the end of 2021, the deposits of legal entities and individuals were up 29.8% and 18.2%, respectively, because of client inflow amid changes in the operating landscape. As at the year-end, the share of tenge-denominated deposits in the total corporate portfolio was 60.6%, compared with 52.9% the year before, while the share in total retail deposits was 52.4%, compared with 50.6% as at the end of 2021.

As at the end of 2022, debt securities issued were down 7.4% year-to-date, following the timely redemption of KZT93,632 million in local tenge-denominated unsubordinated bonds with a coupon rate of 8.75% on 19 January 2022; the timely redemption of US$100 million in bonds listed on the AIX with a coupon rate of 3% on 1 April 2022; and the timely redemption of US$83 million in bonds listed on the AIX with a coupon rate of 3% on 19 April 2022. As at 13 March 2023, the Bank's debt securities portfolio was as follows:

Description of the security	Nominal amount outstanding	Interest rate	Maturity Date
Local bonds	KZT100 billion	7.5%	November 2024
Local bonds	KZT131.7 billion	7.5%	February 2025
Subordinated coupon bonds	KZT101.1 billion	9.5%	October 2025
Local bonds listed on the AIX	US$196 million	2.5%	April 2025

In 2022, total equity grew by KZT337.6 billion or by 21.5% year-to-date, as a result of net profit earned by the Bank during 2022.

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

	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
Capital adequacy ratios, unconsolidated					
Halyk Bank					
k1	18.5%	18.5%	18.1%	19.0%	19.6%
k1-2	18.5%	18.5%	18.1%	19.0%	19.6%
k2	18.9%	19.1%	18.8%	19.8%	20.4%
Capital adequacy ratios, consolidated					
CET 1	18.2%	17.8%	17.5%	18.7%	19.3%
Tier 1 capital	18.2%	17.8%	17.5%	18.7%	19.3%
Total capital	18.6%	18.3%	18.1%	19.4%	19.9%

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

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Business review

BUSINESS REVIEW

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

Retail banking

In 2022, the Bank's retail business team delivered solid results, as shown once again by its strong market shares for credit, deposit, bank card and other products.

The Bank's retail business stands out among those of second-tier peers for its popular digital products and services. Throughout 2022, the team worked to improve service quality and the range of online services. This in turn enhanced the Bank's recognition among not only rating agencies, but also, most importantly, Halyk Group customers.

Despite the economic changes on the market in 2022, the Retail Unit worked hard to attract new customers, improve conditions for existing ones, develop new products and services, and respond to customer requests in a timely manner.

In terms of non-credit products, Halyk Bank maintained its leading position in deposits, with a market share of 30.4%. At the year-end, its deposit portfolio amounted to KZT5.2 trillion.

A popular service among the Bank's customers is opening deposits online, which accounted for 50% of new deposits in 2022, or every second one. Without leaving their home, customers can not only open savings deposits, but also replenish or withdraw funds from them. Funds can be transferred to both current and card accounts.

In Halyk Bank's card business, the positive trend continued. As of 1 January 2023, the Bank had 6.4 million active payment cards issued and remained a leader in this area, with a market share of 20%.

In 2022, the Halyk Easy children's payment card, a new product, was launched. The service can be used to register children online at Homebank, and a children's digital card is issued on behalf of a parent. Depending on age, this enables children, with parental consent, to use the Homebank application and pay for goods and services.

To expand the payment card service, the Bank continued to equip branches with self-embossers. In 2022, 263 self-embossers, which allow customers to independently issue payment cards, were installed in the branch network. The Bank plans to deploy more self-embossers in 2023.

The Bank has around 33,200 payroll card programmes, a key strategic service, which are used to pay salaries on its cards to 2.7 million people.

Another extremely popular service among customers are transfers. To save time and improve customer service, the retail business team has introduced a new feature called Alias transfers. This allows customers to make transfers to cards of other banks and abroad using the recipient's phone number.

The Bank continues to work with Kazakhstan's e-Government portal. One new service introduced in 2022 was online confirmation of accounts through the e-Gov portal, which allows customers to open a special account for benefits and pensions without submitting a paper application. As of the end of 2022, around 2.5 million pensioners and beneficiaries continued to trust the Bank and use all its services.

Given the active demand among customers for digitalisation and the development of the Bank's eco-system, the remote services unit continued to expand in 2022, which had a positive effect on the Bank's performance in this area. In the year, Halyk Homebank developed and introduced new services, which received positive feedback from customers. One was confirming transfers using biometrics (FaceID/TouchID). This has been a success because of its convenience and speed, which is crucial for customers, as well as the reduced dependence on telecom operators that it creates. Halyk Bank was the first on the market to integrate such technology.

Lending remains the most actively growing business for the retail unit. As of 1 January 2023, the Bank's retail portfolio amounted to KZT2.537 trillion, representing a market share of 18.4%. In 2022, the lending business once again delivered solid results, expanding its portfolio by 35%, including by acquiring Sberbank's loan portfolio in Kazakhstan for KZT327 billion. Online loans accounted for 82% of those issued in the year.

To improve the secured lending process, the Bank has developed and launched the following options:

- The automatic removal of encumbrances from collateralised property, which enables customers to remove them without having to visit the Citizens Service Centre if they make early repayments in full.
- Online loan applications for a mortgage or auto. This enables customers to obtain a decision on a loan and receive the funds to their card accounts within five minutes. Customers can also apply for a auto loan online without collateral.

GovTech: the digitalisation of public services

In mid-2021, the Bank set up the GovTech division. Its main objectives are to make public services part of the Bank's applications, integrate public services to automate the Bank's internal business processes and liaise with government agencies regarding digitalisation issues.

Since the creation of the GovTech division, the Bank has launched 33 public services, making it the leader in this regard among not only second-tier banks, but also all external platforms through which public services are provided. The services are highly popular among the Bank's customers and had been used more than 10 million times as of the end of 2022. The most popular ones are digital documents, car history checks (similar to Carfax), residential registration for citizens and various others. Some were presented to senior government officials, including the Kazakh president. As a result of this work, numerous public bodies now view the Bank as a reliable, high-tech partner and include its representatives in key working groups when planning new initiatives to make public services available on external platforms.

In 2023, the Bank plans to further develop this division and launch services that are in high demand among customers. When providing public services, the Bank studies existing business processes and re-engineers them to optimise and simplify the customer journey.

Marketplace

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

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

In 2022, the team successfully dealt with the challenges associated with the operating environment, as shown by the 1.8% increase in the GMV of Halyk Marketplace. In the fourth quarter, the GMV of Halyk Marketplace declined by 32.8% year-on-year. This was due to a large-scale loyalty programme which took place in 2021, rising inflation, which led to an increase in the key interest rate to 16.75% in 2022, and a more stringent risk policy, including for 'buy now, pay later' products.

The Halyk Market online platform deserves special mention. Through it, the Bank has digitalised the customer journey of purchasing goods at physical points of service: in the Halyk Homebank app, customers can now make purchases from trading partners online and pay in instalments or on credit. Halyk continues to develop the UI/UX design for Halyk Market. In 2022, significant progress was made in modernising the architecture and capabilities. These improvements substantially increased the number of partners and SKUs. Compared with 2021, the number of partners soared by 250% and SKUs by 180%. Halyk Group intends to further develop the Halyk Market platform and create even more opportunities for both buyers and sellers who are partners of the Bank.

SME banking[1]

Halyk Bank has been and remains the leader in working with SMEs, in terms of both transactions and lending. In 2022, in a rating by the international publication Global Finance, Halyk Bank won the "Best SME Bank in Kazakhstan" nomination for the second year in a row.

In 2022, the Bank developed and introduced advanced services for legal entities, such as opening accounts remotely, obtaining loans online, issuing digital tender guarantees and filing tax returns through Onlinebank. Halyk Bank's digital solutions enable entrepreneurs to make online payments 24/7, convert currencies, pay taxes, make other obligatory payments, accept payments via QR codes and much more. All of these have helped to drive the number of monthly active users (MAUs) of Onlinebank. In particular, in the fourth quarter of 2022, users in the SME segment increased by base of active clients 55.3% compared with the first quarter of 2022, to 250,800 customers. Over the year, the SME customer base increased by 26,2% to 310,700.

Meanwhile, the development of a digital offering for legal entities helped to increase payments through Onlinebank, which grew by 60% to KZT91 trillion in 2022. This figure has more than doubled over the past two years.

Depositors continued to have a high level of confidence in Halyk Bank in 2022, as shown by a 77% year-on-year increase in SME deposits.

In 2022, the Bank continued to develop digital lending services for individual entrepreneurs, issuing 19,700 digital loans, up 13.2% year-on-year. The total number of individual entrepreneurs with digital loans increased by 51% in 2022, while the digital loan portfolio grew by 58%.

In March 2022, the Bank fully automated digital lending for investment purposes to support micro and small businesses as part of the Damu Entrepreneurship Development Fund's "Business Roadmap – 2025" programme. Based on the results for 2022, the Bank is a leader in this area, accounting for 44.2% of loans issued by second-tier banks as part of the programme.

The next stage in the development of digital lending was creating a digital loan product for borrowers with a more complex form of incorporation: limited liability partnerships (LLPs). The product was successfully introduced in April 2022, and LLPs with partners who are residents of Kazakhstan can now be financed, regardless of the number of partners. As of 31 December 2022, around 800 companies from the small, medium and corporate business sector had received a digital loan since the service was launched. This product increased the number of LLPs receiving lending by 49%. In 2022, the share of LLP borrowers that received a digital loan grew to around 20% of the LLP borrowers in the SME segment.

Onlinebank – a unique transactional solution – and the development of digital lending has helped to drive SME lending. In 2022, the following trends were seen in SME lending:

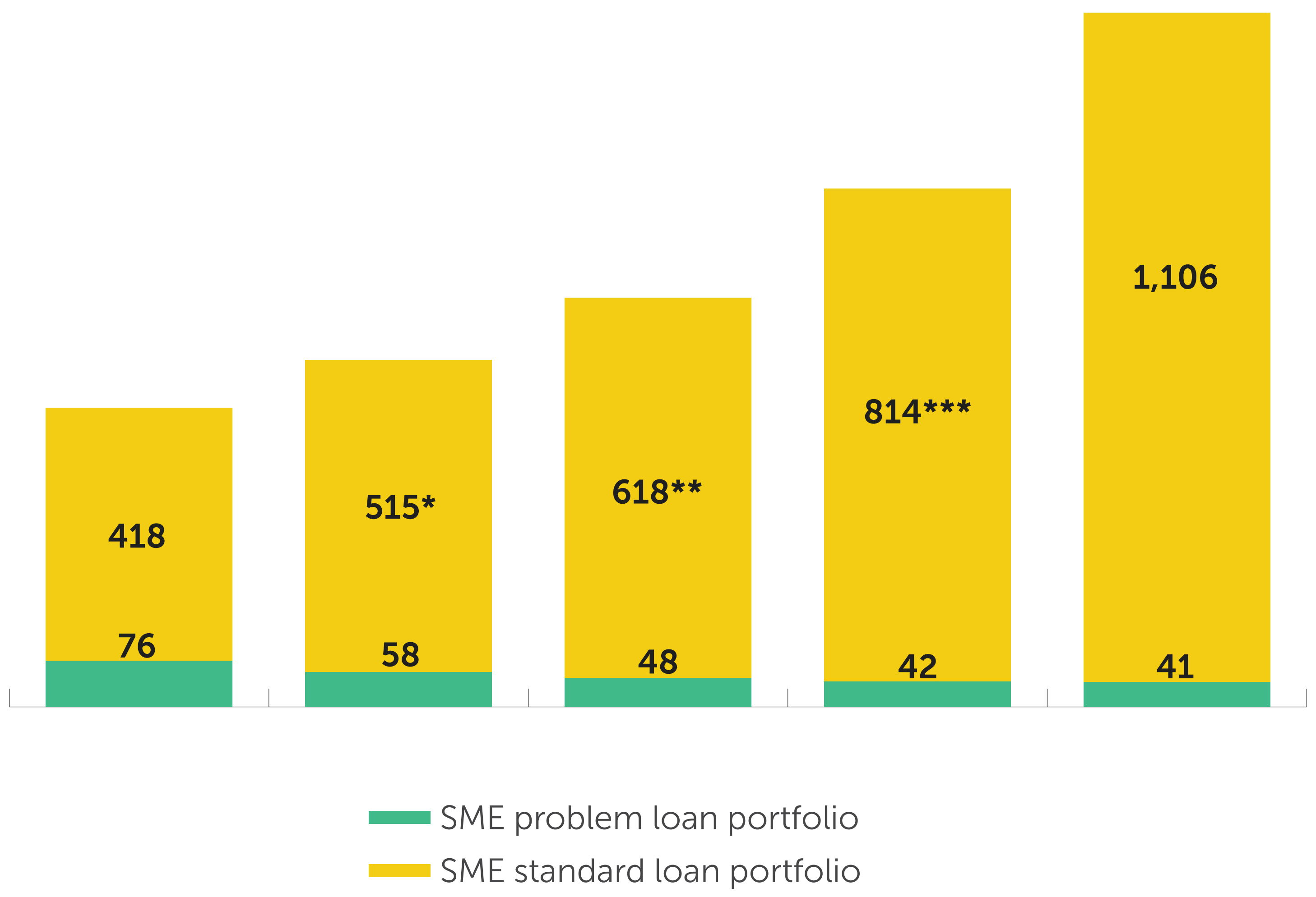
- The SME loan portfolio[2] grew by 36% to KZT1.1 trillion, partly due to the acquisition of Sberbank's loan portfolio in Kazakhstan for KZT112 billion
- The Bank's SME lending rose steadily, total loans issued to SME customers increasing by 36.9% to KZT1.5 trillion, up from KZT1.0 trillion in 2021
- The Bank worked to improve the quality of the SME loan portfolio, which reduced the SME problem loan portfolio by 2.4%

The growth trends in the SME portfolio are presented below[3]:

In 2022, total equity grew by KZT337.6 billion or by 21.5% year-to-date, as a result of net profit earned by the Bank during 2022.

[1]Unless otherwise indicated, data is presented for the Bank on an unconsolidated basis only
[2]Excluding problem loans
[3]Data for the Bank on an unconsolidated basis only

KZT billion

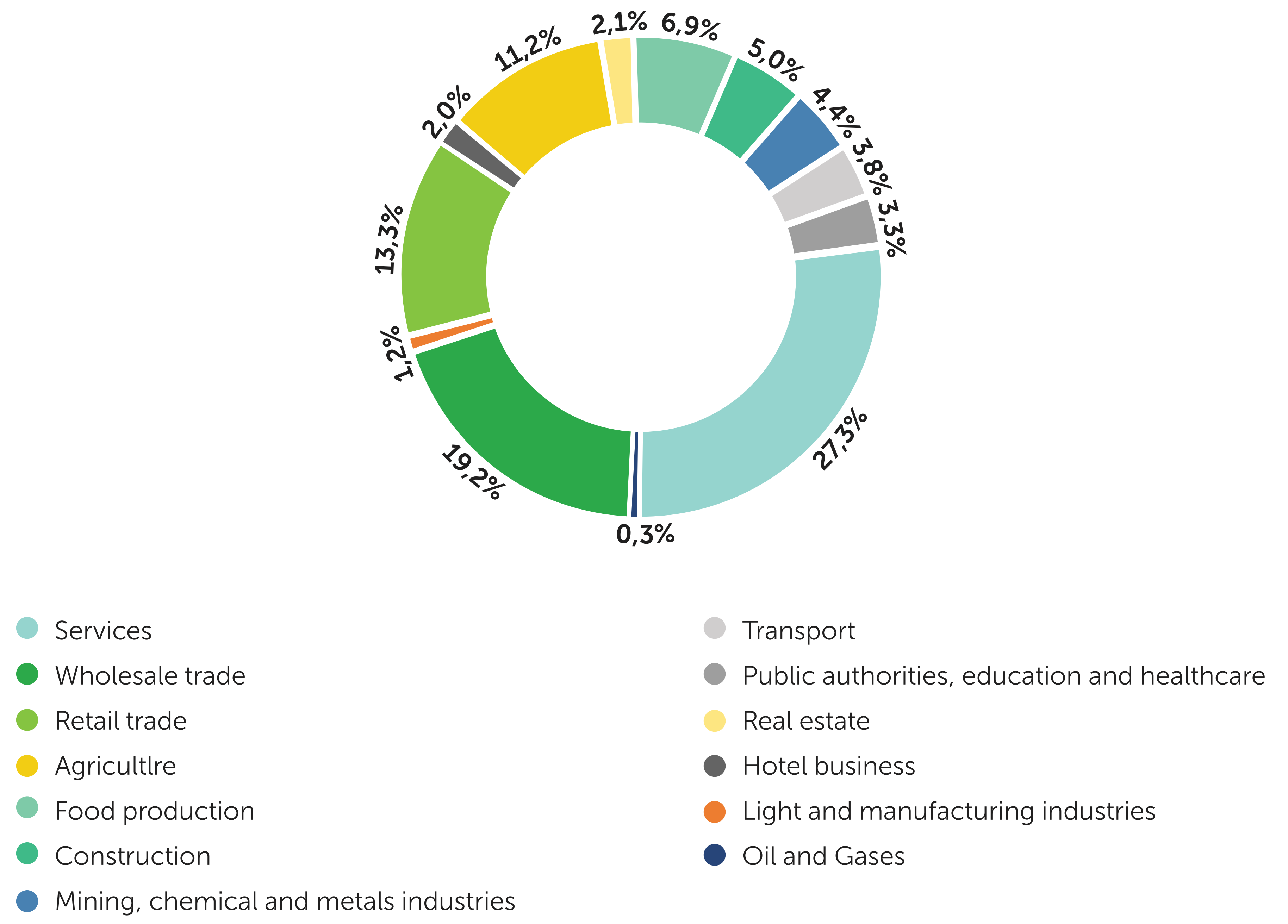


* The standard portfolio excludes KZT3.08 billion in projects transferred for servicing in the first half of 2019 to the Corporate Client Department.

** The standard portfolio excludes KZT17.4 billion in projects transferred for servicing in the second half of 2020 and the first half of 2021 to the Corporate Client Department.

*** The standard portfolio excludes KZT1.4 billion in projects transferred for servicing in the first half of 2022 to/from the Corporate Client Department as well as from small business banking to medium-sized business banking and from medium-sized business banking to small business banking.

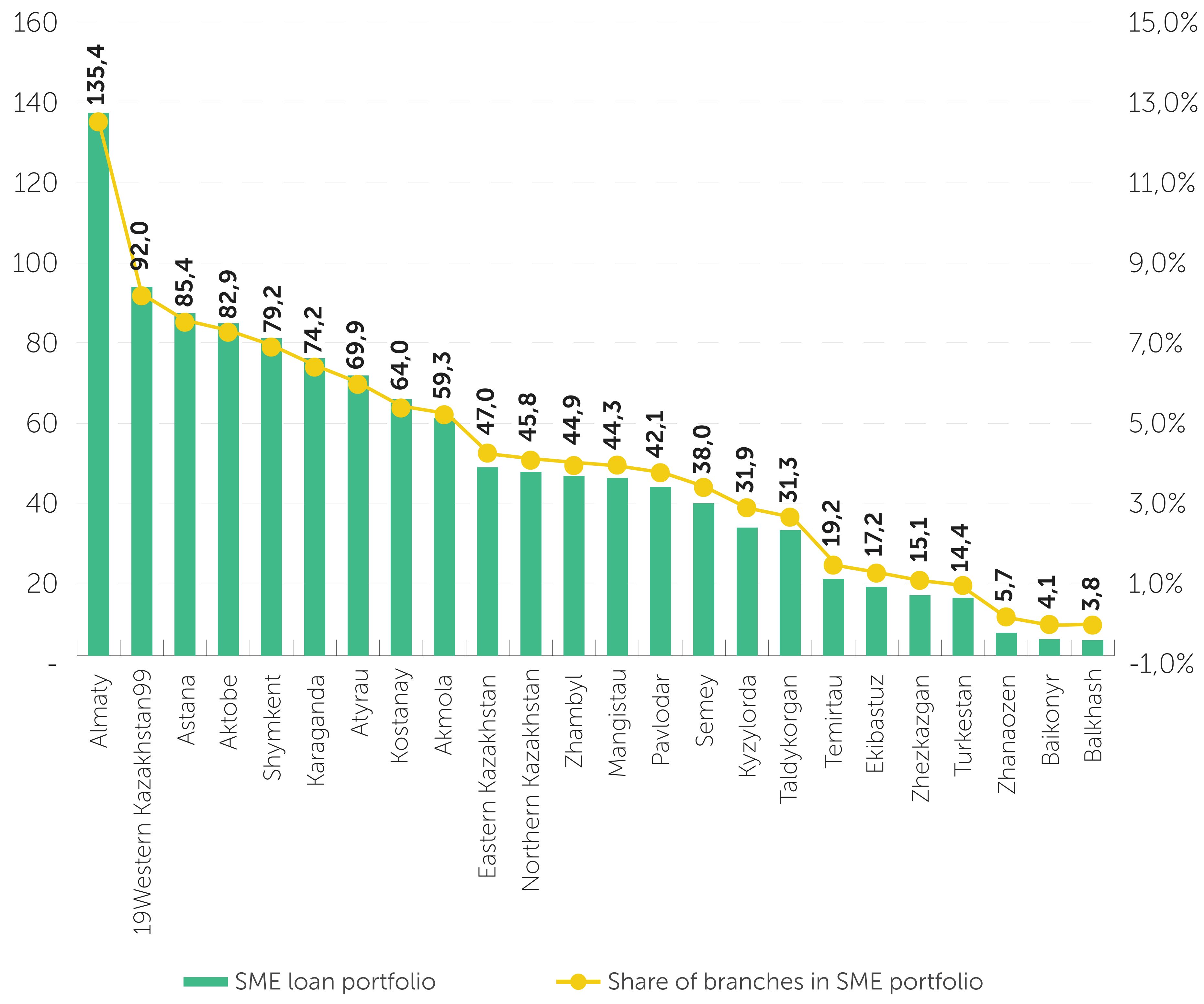
As of 1 January 2023, the leading industries in the SME* portfolio were services (27.3%), wholesale trade (19.2%), retail trade (13.3%), agriculture (11.2%), food production (6.9%) and other industries.



* Excluding problem loans

As for regions, the leaders in the SME portfolio as of 1 January 2023 were the Almaty (11.8%), Western Kazakhstan (8.0%), Astana (7.4%), Aktobe (7.2%) and Shymkent (6.9%) regions.

KZT billion



Significant growth was seen in digital bank tender guarantees (DBTGs) in 2022, as the number of issued DBTGs increased by 680% compared with 2021, while the number of customers who use this service grew to 1,600.

Support for SMEs and involvement in state programmes

Throughout 2022, the Bank remained actively involved in state programmes to support businesses. The role of state support for businesses has grown substantially amid increases in the National Bank's key interest rate and the cost of credit resources, particularly in cases involving financing for long-term investment projects.

In 2022, the Bank was the leader in providing support to micro and small businesses, as well as entrepreneurs/entities engaged in industrial and innovative activities as part of the National Entrepreneurship Development Project for 2021-25. Based on data from the Damu Fund, during the year, 7,503 projects received a total of KZT53.54 billion in subsidies and guarantees as part of the support for micro and small businesses.

In terms of support for entrepreneurs/entities engaged in industrial and innovative activities as part of the National Entrepreneurship Development Project for 2021-25, the Damu Fund reported that 175 projects received KZT16.17 billion in subsidies, while 862 projects received guarantees of KZT60.42 billion.

Each year, the Bank participates in the Agrarian Credit Corporation's Ken Dala state programme, which supports the agricultural sector during the planting and harvesting seasons. Under it, in 2022, the Bank provided KZT38.66 billion in financing for 144 projects.

In 2022, to support green finance principles and the initiative of a UN programme being implemented in cooperation with the Damu Fund, the Bank expressed an interest in promoting projects in the energy efficiency and renewable energy sectors. The Bank is providing financial support to subsidise the principal amount, which entails repaying up to 40% of a loan after the launch and acceptance of a project (technical verification).

Throughout 2022, the Bank continued to play an active role in other programmes with the Damu Fund to support business in Kazakhstan. In particular, the Bank provides funding under the Regional SME Financing Programme; the Programme for the Support of SMEs in the Manufacturing Sector; the Nurly Zher State Programme for Housing Construction; and the "Economy of Simple Things" Programme. In most of these, the Bank is a leader in terms of funds allocated, as well as the number and volume of subsidy and guarantee agreements.

Corporate banking[4]

Corporate banking remains a key focus of Halyk Bank's business.

The easing of pandemic-related restrictions in 2021 has helped to drive a recovery in corporate business activity and interest in the Bank's lending products. In 2022, the Bank expanded its loan portfolio and strengthened its positions on the corporate banking market, underscoring the stability of its business model. Over the year, the number of corporate clients climbed from 1,900 to 2,300, due to both new client additions and the re-segmentation of the corporate and SME banking businesses (amid growth in the SME segment). Drivers of this increase included the restrictions on working with Russian banks and their withdrawal from the market.

In 2022, the corporate loan portfolio increased by KZT1.156 trillion, or 35.1%. The Bank's market share in corporate lending grew from 45.3% to 51.9%, partly due to the acquisition of Sberbank's loan portfolio in Kazakhstan for KZT101.5 billion. Through its relatively conservative approach to risk assessment, the Bank also retains one of the most stable portfolios on the market.

The Bank enjoys significant advantages, including the highest limit on a group of borrowers, as well as strong liquidity in tenge and foreign currencies, which drives project financing. The Bank continues to engage in productive cooperation with major corporate customers and is working to expand its client base in Kazakhstan

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

and the countries where the Group is present. The Bank supports exports and seeks to generate synergies with its subsidiaries by promoting Kazakh companies in neighbouring markets. In 2022, the Bank provided US$250 million in financing for joint projects in Uzbekistan. The Bank works with major companies in Uzbekistan, some of which are considering greater cooperation with Kazakhstan to expand business, and helps Kazakh clients promote their business in neighbouring markets, including by offering them a full range of banking services through Tenge Bank. In 2022, the Bank took part in three syndicates organised by leading international banks for major companies in Uzbekistan. In addition, funding for social infrastructure projects continued, including in education, renewable energy and other sectors.

The Bank offers high-quality customer service, as well as a wide range of products, services and tools to meet customer needs. Despite the steady growth in the number of corporate customers served, the average number of products that each transactional customer uses remains high, at 4.54, and is even higher for corporate borrowers, at 5.86.

The Bank works with several major corporate clients that adhere to high standards of transparency and do business in accordance with global best practices in corporate governance. Many of them are public and have audited financial statements. Notably, corporate clients served by the Bank are among the largest taxpayers in the country and accounted for more than half of budget revenues in 2022. At the year-end, the Bank's client base featured 81% of the country's largest taxpayers, up from 77% a year earlier.

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

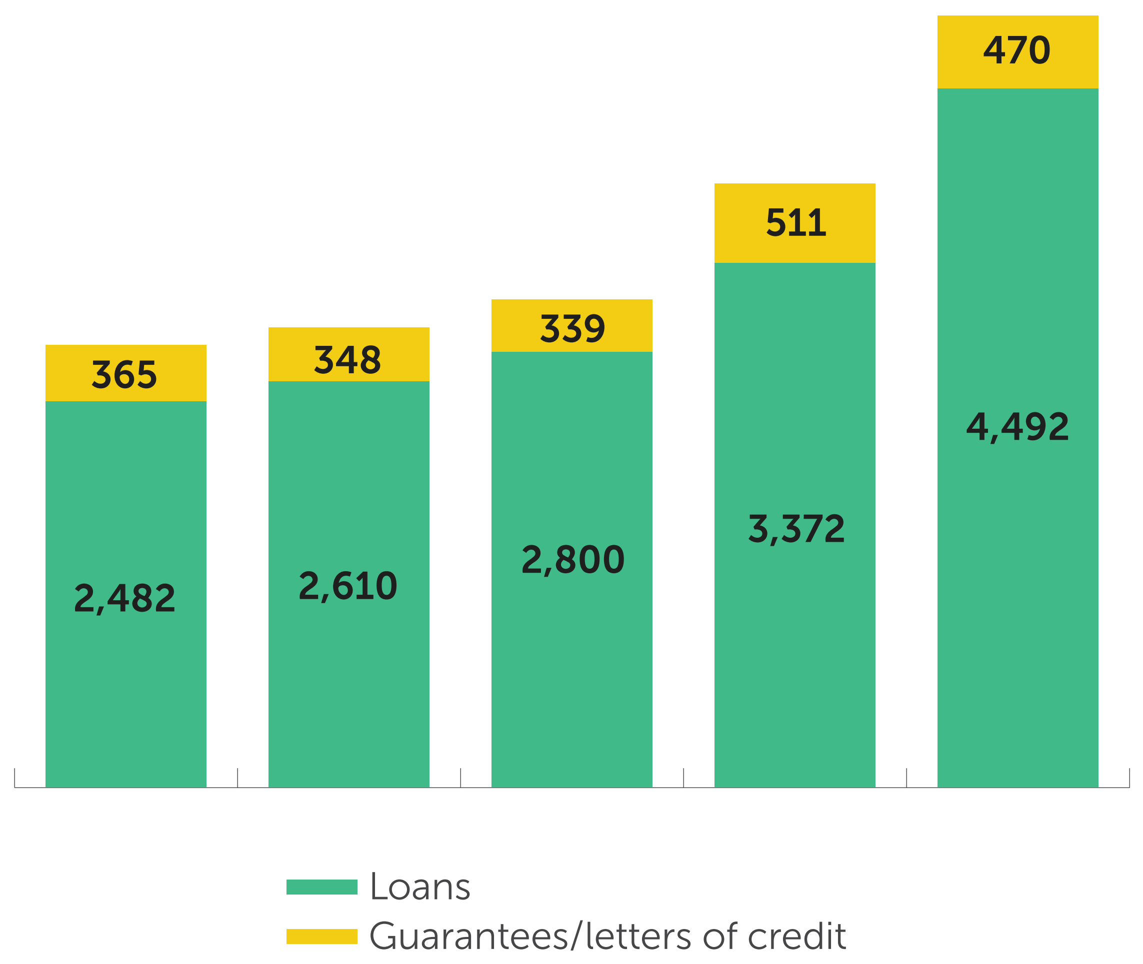
As corporate customers embed innovative solutions into their business processes, it increases their need for high-quality, rapid banking services. The Bank is working hard to develop digital technologies that can meet this. This makes it possible to improve existing services and develop new solutions for customers that suit their individual requirements, organisational structure and business. For example, the Bank has introduced an online loan issuance process that allows the agreement to be signed electronically, so paper documents are not needed. This has been well received by corporate customers, who arranged more than 95% of loans online in 2022.

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

Halyk Bank remains actively involved in a state programme to support large enterprises, which is being implemented through the Development Bank of Kazakhstan. Overall, the Bank has allocated KZT29.0 billion for this programme. In 2022, using resources provided by the National Fund, it financed major manufacturers in the pharmaceutical, chemical, textile and food industries, as well as producers of oil and gas equipment, construction materials, lubricants and cardboard.

For the corporate banking business, 2022 was a successful year. The Bank implemented several major projects to finance such sectors of the economy as chemicals, energy, automotive, food production and oil, among others. The Bank's strong liquidity and capital reserves, as well as its ability to offer customers a wide range of services through an extensive regional network, contributed to an increase in market share in the corporate sector.

Changes in Halyk Bank's corporate portfolio (KZT billion)[5]



In 2023, the Bank plans to continue its policy of developing relationships with existing clients while further expanding the customer base, as well as increasing their use of Halyk Group products and services, offering a range of financial solutions and actively using the capabilities of Halyk Group. The Bank will focus primarily on expanding the loan portfolio and transaction income. In 2022, the Bank's corporate loan portfolio grew by 35.1%, interest income by 53.5%, partly due to the interest rate rises, and non-interest income by 50.8%.

Growth drivers of the loan portfolio include:

- Increases in customers' capital investments
- Greater demand for working capital financing
- Infrastructure projects
- ESG investments
- Digital lending

[5]Data is presented for the Bank on an unconsolidated basis only

- Financing projects jointly with subsidiary banks
- Participation in syndicates

Growth drivers of non-interest income include:

- Synergies among the Bank's corpocustomers
- Better daily banking services
- Expansion of services offered to customers, including through Onlinebank (the platform for legal entities)

Subsidiaries

Assets of subsidiaries as of 31 December 2022

Name	Assets, KZT billion	Market share by assets, %
Halyk Bank Georgia	170.5	1.4
Halyk Finance*	55.4	12.4
Halyk Global Markets*	20.5	4.6
Halyk Insurance Company**	158.4	13.8
Halyk Life***	282.7	30.7
Halyk Bank Kyrgyzstan	93.6	4.6
Halyk Leasing	16.5	n/a
Halyk Collection	5.2	n/a
Kazteleport	8.05	n/a
Halyk Finservice	3.92	n/a
KUSA Halyk	68.9	n/a
Halyk Aktiv	97.4	n/a
Tenge Bank	183.6	0.75

* Market share by assets is based on organisations that manage investment portfolios
** Market share by assets is based on general insurance companies
*** Market share by assets is based on life insurance companies

Assets and equity of subsidiaries

Name	Assets, KZT billion			Equity, KZT billion		
	2022	2021	Change, %	2022	2021	Change, %
Halyk Bank Georgia	170.5	141.2	20.8%	26.9	19.9	35.7%
Halyk Finance	55.4	58.8	-5.9%	24.5	27.1	-9.4%
Halyk Global Markets	20.5	28.0	-26.7%	20.5	20.9	-1.8%
Halyk Insurance Company	158.4	142.0	11.5%	74.5	66.3	12.4%
Halyk Life	282.7	234.6	20.5%	56.4	42.0	34.2%
Halyk Bank Kyrgyzstan	93.6	83.3	12.4%	18.8	14.3	31.8%
Halyk Leasing	16.5	12.6	31%	7.9	7.2	10%
Halyk Collection	5.2	5.1	3%	3.8	3.6	4%
Kazteleport	8.05	7.06	14.05%	5.6	5.1	10.25%
Halyk Finservice	3.92	2.25	74.29%	3.05	1.55	96.18%
KUSA Halyk	68.9	67.1	2.7%	29.8	19.8	50.5%
Halyk Aktiv	97.4	113.8	-14.4%	46.5	47.3	-1.7%
Tenge Bank	183.6	134.0	37%	52.7	48.1	9.48%

Banking

Subsidiary banks

In 2022, Halyk sold its subsidiary banks in Tajikistan and Russia and announced that its strategic focus would be expanding in Uzbekistan.

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

Halyk Bank Georgia

Halyk Bank Georgia is a commercial bank incorporated in Georgia that focuses on corporate, SME and retail banking. As of 31 December 2022, it had total assets of GEL984.2 million (KZT170.541 billion), down 1.9%, or GEL18.8 million, from 2021. The gross loan portfolio stood at GEL660.5 million (KZT114.456 billion), down 11.4%, or GEL82.6 million. Total equity amounted to GEL155.6 million (KZT26.966 billion), up 10.2%, or GEL14.4 million. In 2022, it generated net income of GEL14.5 million (KZT2.333 billion), down GEL0.9 million compared with 2021.

Fitch Ratings affirmed Halyk Bank Georgia long-term credit rating 'BB+-, the outlook 'stable'.

Halyk Bank Kyrgyzstan

Halyk Bank Kyrgyzstan is a commercial bank incorporated in Kyrgyzstan that offers universal banking services. As of 31 December 2022, it had total assets of KGS17.339 billion (KZT93.632 billion), up 6.0%, or KGS977 million (KZT10.346 billion), higher than a year earlier. Its gross loan portfolio was KGS10.592 billion (KZT57.195 billion), down 8.0% year-on-year. Its total equity was KGS3.484 billion (KZT18.815 billion), up KGS680 million. In 2022, it reported net income of KGS626 million (KZT3.458 billion).

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

Tenge Bank

Tenge Bank is a universal bank in Uzbekistan. As of 31 December 2022, it had assets of UZS4.456 trillion (KZT183.58 billion), total equity of UZS1.278 trillion (KZT52.664 billion) and a gross loan portfolio of UZS2.505 trillion (KZT103.205 billion). In 2022, it reported net profit of UZS81.9 billion (KZT3.423 billion).

As an active regional financial player, Halyk has always been interested in the Uzbek market. Uzbekistan has the largest population in Central Asia, as well as the largest and fastest-growing economically active population. Its economy has demonstrated consistently high GDP growth rates for several consecutive years.

An additional factor driving interest in this market is the rapid growth of trade and investment links between businesses in Kazakhstan and their partners in Uzbekistan. Some figures supporting this strategic focus are as follows:

- First, since 2019, trade turnover between the two countries has expanded from US$3.3 billion to US$4.6 billion through bilateral agreements. Today, Kazakhstan is one of Uzbekistan's top three trading partners.
- Second, businesses from Kazakhstan are actively investing in joint projects with their partners in Uzbekistan. Between 2019 and 2022, the number of companies in Uzbekistan with shareholders from Kazakhstan increased from 510 to around 1,200. Meanwhile, the number of companies in Kazakhstan with shareholders from Uzbekistan increased from 1,800 to 3,700.

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

Halyk began considering the possibility of entering Uzbekistan back in 2017-18, following the initial successes of the country's wide-scale reforms and policy of openness for investors.

After deciding to enter the market, the Bank established a subsidiary, Tenge Bank, in Uzbekistan. In May 2019, it received a licence from the Central Bank of Uzbekistan to conduct banking operations. At present, Tenge Bank works in nine regions that account for over 70% of the population.

Continuous expansion on the Uzbek market is an integral part of the Halyk Group's overall development strategy.

To strengthen its position on the Uzbek market and further enhance cross-sale capabilities across the board, the Group started providing non-banking products to customers in Uzbekistan last year. In the second quarter of 2022, its life and non-life insurance subsidiaries began providing reinsurance services for Tenge Bank's insurance partners. Halyk's Kazteleport has registered its subsidiary in Tashkent and is now entering the market for data processing and cloud services in Uzbekistan. In the first half of 2023, the Group plans to launch the Tenge Market e-commerce platform, while Halyk Finservice intends to set up a subsidiary in Tashkent to start providing internet acquiring services.

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

Since 2020, total financing for these purposes has increased to more than US$550 million, including around US$180 million in bilateral loans to state-owned companies, SMEs and Kazakh-Uzbek joint ventures.

The Bank has provided around US$400 million in syndicated loans for corporate clients and financial institutions.

In 2022, the Bank was actively involved in bilateral trade financing through export letters of credit covered by the Kazakh export credit agency totalling US$52 million and import guarantees totalling US$7 million.

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

- First, and most importantly, is Halyk's strong focus on this market, as shown by its substantial capital injections of more than US$113 million (the highest among subsidiary banks in Uzbekistan). This gives Tenge Bank a solid base in terms of capitalisation and liquidity compared with peers.
- Second is Tenge Bank's high international credit rating, which is on par with Uzbekistan's sovereign rating (Moody's 'Ba3'), thereby providing additional confidence for clients and partners. Tenge Bank now serves almost 2,000 corporate and more than 200,000 retail customers.

Since its inception, Tenge Bank has positioned itself as a part of a larger group that offers major companies co-financing from Halyk Bank. Tenge Bank has a gross loan portfolio of US$223 million.

Tenge Bank is continuously improving its digital offering by developing remote channels, upgrading BPM software and providing in-house processing. In 2022, it launched a mobile banking solution for retail clients and a web-based banking platform for legal entities.

Tenge Bank provides corporate customers with a full range of lending and non-lending products, including settlements between Uzbekistan and Kazakhstan in national currencies, direct purchases of Kazakh tenge and minimal commissions for payments within Halyk Group. It is also actively developing its online banking platform for legal entities, which it launched in May 2022.

Tenge Bank offers a diversified range of lending and non-lending retail products, as well as a convenient and sophisticated multi-channel customer service format. This includes a mobile banking app, which was launched in April 2022, and a marketplace platform, which is scheduled to be rolled out in the first half of 2023.

Tenge Bank has become a top three provider of car loans in Uzbekistan, due to the introduction of an automated credit process and scoring system. It is also actively developing its digital customer service package.

Tenge Bank's web banking service for legal entities allows for different types of payments 24/7 and can generate statements online. Launched in May 2022, it is already quite popular among customers: in the fourth quarter of 2022, it had almost 1,000 users, 290 MAUs and 134 transactions per active user. In the first quarter of 2023, the bank plans to launch a mobile app for legal entities as well.

The Tenge 24 mobile banking app enables retail clients to quickly log in and register online, use the app without having a physical card and carry out P2P payments and FX transactions. As of the end of 2022, the app had more than 260,000 users. In the fourth quarter of 2022, it had 70,000 MAUs.

Insurance market

Halyk Insurance Company

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

As of 31 December 2022, Halyk Insurance Company was one of the largest general insurance companies in Kazakhstan, ranking second in the country in terms of assets and fourth in terms of total equity.

At the year-end, its assets totalled KZT158.4 billion, giving it a market share of 13.8%. Its net income for the year was KZT8.5 billion and net premiums amounted to KZT106.1 billion, or 20.3% of the overall insurance market (unaudited market data without contracts of termination).

In January 2022, A.M. BEST confirmed Halyk Insurance Company's financial reliability and business reputation rating at 'B++'(Good) and upgraded its outlook from 'negative' to 'stable'.

In October 2022, in accordance with changes in Kazakh legislation, the name of the insurance class "loan insurance" was changed to "loan insurance for legal entities". As a result, the licence for insurance (reinsurance) activities was reissued in the "general insurance" industry: №2.1.5. dated 26.10.2022.

Halyk Life

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

At the end of 2022, Halyk Life was the leader among life insurance companies by all indicators (except for insurance payouts). Its assets amounted to KZT282.7 billion (30.7% of the market's total assets), up 20% year-on-year, or KZT48.1 billion. The company had equity of KZT56.4 billion (32.5% of total equity among life insurance companies), up 34%, or KZT14.4 billion. Insurance premiums amounted to KZT125.3 billion (33.2% market share in terms of gross premiums), up 0.4%, or KZT512 million. The company generated net profit of KZT17.5 billion in 2022, up 99%, or KZT8.7 billion.

In March 2022, A.M. BEST confirmed Halyk Life's financial stability rating at 'B+' and issuer credit rating at 'bbb-', the highest ratings among life insurance companies in Kazakhstan. The outlook remained 'positive'. In August 2022, S&P Global Ratings assigned the company a long-term financial strength rating of 'BBB-' (country rating) and a Kazakh national scale rating of 'kzAAA' with a 'stable' outlook.

Following work by the company's employees to introduce the MT-102 format to recognise endowment insurance payments, the entire life insurance market can now automate the payment process.

In 2022, Halyk Life introduced a service to conclude insurance contracts for Halyk-Kazyna products online in the Homebank app and integrated the company's systems with the State Credit Bureau databases. In addition, it developed a new online endowment life insurance product called Tumar. Halyk Life also obtained a licence for a new class of life insurance as part of the state education savings system.

In 2022, Halyk Life continued actively working to improve the financial literacy of the population by holding in-person meetings at its branches with more than 230 journalists from regional media outlets.

Investment banking

Halyk Finance

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

As of 31 December 2022, Halyk Finance had total assets of KZT55.4 billion, down 5.8% year-on-year, or KZT3.4 billion. Equity stood at KZT24.5 billion, down 9.6%, or KZT2.6 billion. In 2022, it posted a net loss of KZT2.3 billion, compared with a profit of KZT4.8 billion in 2021.

At the year-end, Halyk Finance's gross proprietary investment portfolio was KZT52.8 billion, while its portfolio of securities for brokerage services customers had a market value of KZT383.1 billion. Assets under management amounted to KZT424.4 billion, up 17.0%, or KZT61.7 billion, compared with 2021.

In 2022, the company was once again recognised as the "Best Investment Bank in Kazakhstan" by prominent information agencies and authoritative publications, including Global Finance, Cbonds and EMEA Finance, as well as the KASE and AIX stock exchanges.

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

Halyk Finance finalised the sale of shares in KazMunayGas (KMG) as part of an IPO, where the Samruk-Kazyna Fund acted as the selling shareholder. The Samruk-Kazyna sovereign wealth fund sold 18,303,584 common shares on the AIX and KASE for a total of KZT153.9 billion, which corresponds to 3% of the total outstanding KMG common shares. Halyk Group and its customers bought 34%, or KZT52 billion, worth of the placement for a total of KZT154 billion and accounted for 71% of the IPO bids submitted.

Halyk Global Markets

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

As of 31 December 2022, Halyk Global Markets had total assets of KZT20.5 billion, down 26.8%, or by KZT7.5 billion, from the end of 2021. Total equity amounted to KZT20.5 billion, down 1.9%, or KZT0.4 billion. In 2022, it reported a net loss of KZT0.2 billion, compared with a net profit of KZT2.98 billion in 2021.

At the year-end, its gross proprietary investment portfolio stood at KZT20.2 billion, down 26.5%, or by KZT7.3 billion, from 2021. Its total portfolio of securities for brokerage services customers had a market value of KZT1.1 trillion, up KZT1.03 trillion. Assets under management amounted to KZT2.6 billion, up 8.3%, or KZT0.2 billion.

In July 2022, the Bank, which is the sole shareholder of Halyk Global Markets and Halyk Finance, decided to transfer the customer business from Halyk Global Markets to Halyk Finance. The aim was to concentrate resources, optimise processes and further improve the business efficiency of Halyk Group's investment unit.

Infocommunication business and internet acquiring

Kazteleport

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

In 2022, Kazteleport completed the construction of and commissioned a data centre with 120 racks and a reliability level of TIER III Certification of Constructed Facility, and also began building a data centre in Astana. As part of efforts to expand its geographical presence, the company opened a subsidiary in Uzbekistan.

As of 31 December 2022, Kazteleport's assets were valued at KZT8.054 billion, up 14%, or KZT992 million, compared with the end of 2021. Equity amounted to KZT5.591 billion, up KZT519.7 million over the year. The company generated a net profit of KZT272.7 million in 2021, down KZT588.5 million from the previous year.

Halyk Finservice

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

In December 2022, Halyk Finservice and Tenge Bank launched the Tenge Market marketplace in Uzbekistan. As of 31 December 2022, Halyk Finservice had total assets of KZT3.921 billion, up 74%, or KZT1.671 billion, from the end of 2021. Equity amounted to KZT3.052 billion, up 96%, or KZT1.496 billion, over the year. In 2022, Halyk Finservice generated a net profit of KZT1.496 billion, up KZT621.6 million compared with 2021.

Marketplace

The Marketplace is a strategic product in Halyk Group's ecosystem where customers can purchase goods from partners using Halyk Bank's convenient financial products. Considering the rapid pace of digitalisation, changes in consumer behaviour and preferences, and the growing needs of its customers, the Bank has integrated its processes to offer every customer convenience, speed, simplicity and security. Each solution integrates big data analysis and aims to develop technological platforms.

The Marketplace has become popular among the Bank's customers, who can make purchases using instalments or credit, both offline and online. In 2022, more than KZT406.6 billion in purchases were made on the Marketplace with an effective GMV of KZT23.4 billion. One important Marketplace platform is Halyk Market, through which the Bank has digitalised the customer path for purchasing goods at physical points of sale. Now, customers can make purchases using instalments or credit at retail partners online using the Halyk Homebank app.

Halyk Group intends to continue to develop the Halyk Market platform and create even more opportunities for customers and the Bank's sales partners.

Cash collection

Halyk Collection

Halyk Collection is the leader in the market of collection services for banknotes, coins and valuables. The largest collection company in the country, it is positioned in Halyk Group as a subsidiary that offers services independently while also providing cash to the Bank's sales channels.

In 2022, Halyk Collection increased its total assets by 6%, or KZT172.3 million, to KZT5.241 billion. Equity grew by 4%, or KZT151.5 million, to KZT3.796 billion, and charter capital amounted to KZT406.5 million. Its net income for 2022 was KZT99.4 million.

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

Distressed asset management organisations and other companies

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

As of 31 December 2022, the total assets of Halyk Group's distressed asset management organisations amounted to KZT166.3 billion.

In 2022, KUSA Halyk sold assets worth KZT32.7 billion, while Halyk Aktiv sold assets valued at KZT29.6 billion.

KUSA Halyk

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

As of 31 December 2022, KUSA Halyk had assets of KZT68.9 billion, up 2.7%, or KZT1.8 billion, from a year earlier.

In 2022, the Bank transferred 14 assets worth KZT9.4 billion to KUSA Halyk, compared with 16 assets worth KZT9.8 billion in 2021.

At the year-end, the asset portfolio was valued at KZT49.4 billion, down 12%, or KZT7 billion, from KZT56.5 billion as of 31 December 2021.

Income from the sale of assets and the provision of services amounted to KZT39 billion in 2022, up 24% year-on-year (KZT31.3 billion in 2021). Operating income from the core business of KUSA Halyk totalled KZT10.5 billion, up 31%, or KZT2.5 billion, from 2021.

KUSA Halyk generated a net profit of KZT6.3 billion in 2022, compared with a loss of KZT864,000 in 2021.

Halyk Aktiv

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

As of 31 December 2022, Halyk Aktiv had assets of KZT97.4 billion, down 14%, or KZT16.4 billion, from KZT113.8 billion at the end of 2021.

In 2022, the Bank transferred 13 assets valued at KZT11.9 billion to Halyk Aktiv, compared with 16 assets worth KZT19.2 billion in 2021.

At the year-end, the asset portfolio stood at KZT88.1 billion, down 13% from KZT101.4 billion at the end of 2021.

Income from the sale of assets and the provision of services amounted to KZT7.8 billion in 2022, down 41%, or KZT5.5 billion, from KZT13.3 billion in 2021. Operating income from the company's core business amounted to KZT5.8 billion, down 43%, or KZT4.4 billion, from KZT10.2 billion in 2021.

The company reported a loss of KZT2.9 billion in 2022, compared with a loss of KZT3,200 in 2021.

Based on Resolution No. 9 of the Bank's Board of Directors dated 21 February 2022, Halyk Project and Halyk Aktiv 1 were voluntarily merged with Halyk Aktiv.

Halyk Leasing

Halyk Leasing was one of the first leasing companies in Kazakhstan. Its primary focus is acquiring and transferring special equipment under financial lease, including heavy, construction, roadmaking, industrial, oilfield, mining, extracting and agricultural equipment, as well as commercial vehicles for cargo and passenger transport and so on. Halyk Leasing introduced a moratorium on signing new leasing agreements from 2014 until 2019 and resumed its leasing operations in 2020. As of 31 December 2022, it had total assets of KZT16.447 billion and total equity of KZT7.917 billion. In 2022, it reported a net income of KZT773.6 million.

In 2022, the value of Halyk Leasing's assets grew by 31%, or KZT3.891 billion, to KZT16.447 billion. Equity increased by 10%, or KZT707.6 million, to KZT7.917 billion. Halyk Leasing reported a net income of KZT773.6 million in 2022, up 94.6%, or KZT376.0 million, than in 2021.

In 2022, the actual volume of leasing agreements issued totalled KZT5.907 billion. At the year-end, the gross loan portfolio totalled KZT9.114 billion (the net loan portfolio was KZT8.984 billion), while interest income amounted to KZT1.25 billion. Halyk Leasing is funded by Halyk Bank, the Damu Entrepreneurship Development Fund and the Agrarian Credit Corporation.

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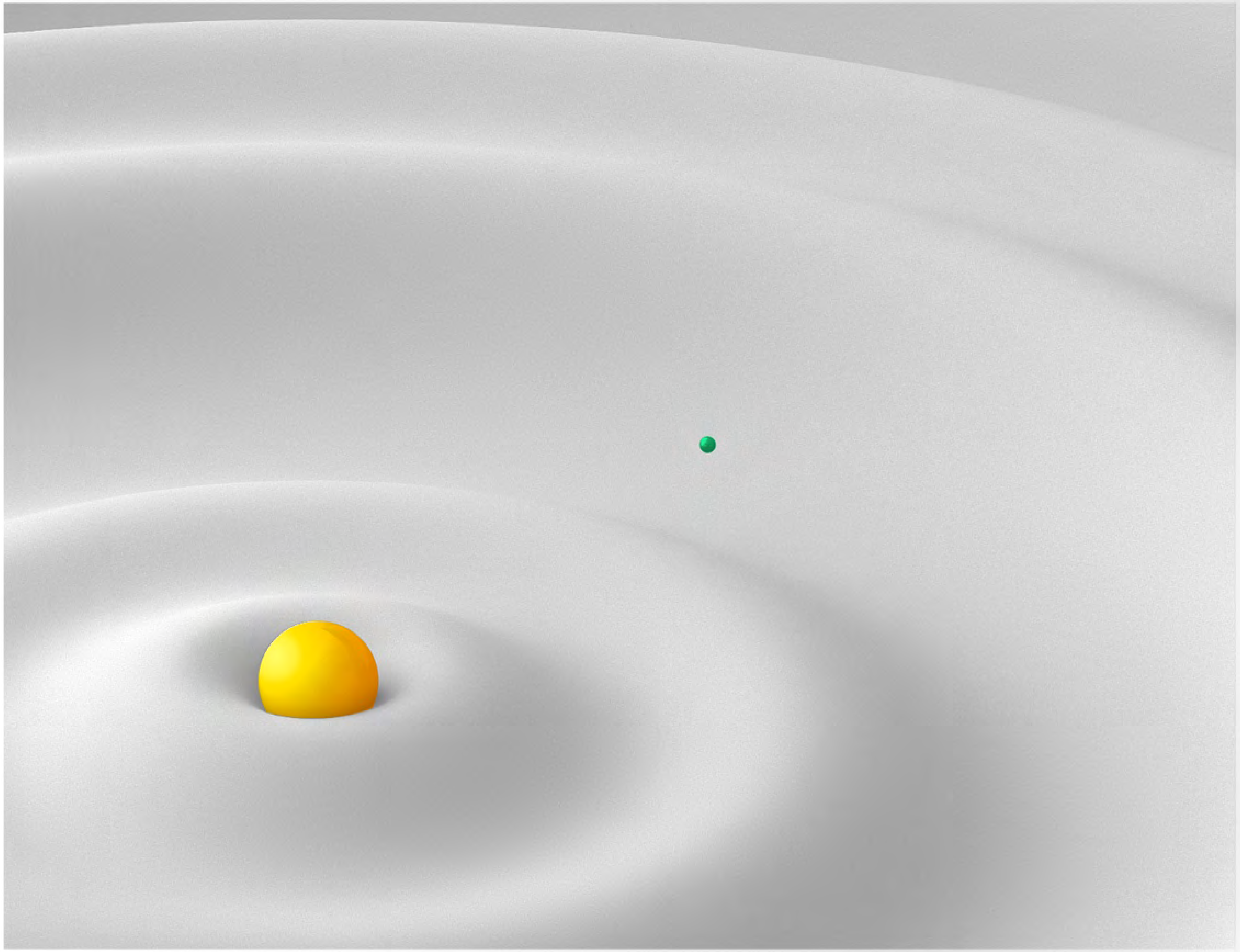
Risk Management



ECOSYSTEMS FORMATION

RISK MANAGEMENT

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

1) Risk appetite management

Halyk Bank's risk appetite strategy defines clear boundaries for the acceptable volume of significant risks associated with the activities that the Bank undertakes while implementing Halyk Group's Development Strategy. It also defines the risk profile of the Bank's operations to prevent risks or minimise their negative impact on the Bank's financial position. The approaches to risk appetite management are regulated by the risk appetite strategy, which has been approved by the Board of Directors.

Risk appetite covers the aggregate level of material risks that the Bank is willing to accept or intends to exclude when implementing its strategy. The risk appetite strategy comprises general approaches to risk appetite management. This includes the policies, processes, controls and systems through which risk appetite is defined, monitored and distributed at all levels of the Bank's organisational structure.

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

2) Credit risk management

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

The Bank manages credit risk by:

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

The Bank's lending decision system is based on the delegation of certain powers by the Board of Directors to appropriate collegiate bodies and the establishment of credit limits for each body. For corporate borrowers, loan applications are reviewed by the Commercial Directorate. Loan applications that exceed the limits set for the Commercial Directorate, as well as transactions with related parties, require further approval by the Board of Directors. For SME borrowers, lending powers are delegated to the SME Centre for Decision-Making and Credit Committee of the branch network. Retail banking decisions are delegated to the Centre for Decision-Making and the Retail Credit Committee (RCC) of the Head Office.

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

In 2022, the Bank introduced the possibility to apply an automated approach to taking decisions on retail auto and consumer lending programmes. In addition, risk scoring models have been developed and improved.

Risk models have also been finalised for standard unsecured loan applications of individual entrepreneurs and small businesses for investment purposes under the government's micro and small enterprise support programme for 2021-25. These models evaluate the applicant's creditworthiness and solvency, as well as set the interest rate and lending limit based on internal and external data.

To develop and improve digital blank tender guarantees, the conditions for issuing guarantees to other second-tier banks have been analysed and the client assessment process has been optimised to account for a product's risk level.

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

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

To assess the Bank's exposure to the risk of negative macroeconomic changes on foreign and domestic markets, as well as to determine the impact of the materialisation of stress scenarios (provision levels, credit rating migration and the share of non-performing loans), the Bank periodically conducts stress-testing of the loan portfolio. In 2022, the Bank conducted regular stress-testing using relatively conservative forecasts amid threats of a decline in global economies, rising inflation, lower oil prices and GDP levels, as well as geopolitical risks. The tests confirmed the resilience of the Bank's capital to a decrease in asset quality.

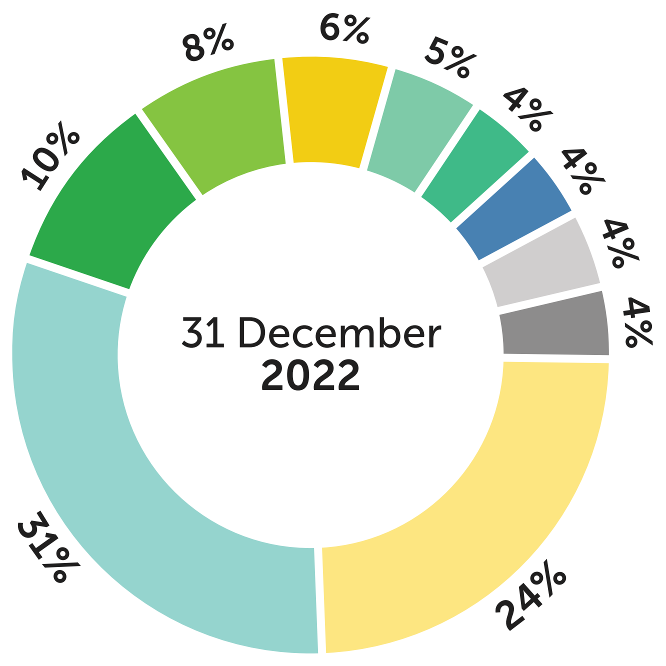
The existing Risk Analyst rating model that the Bank uses to assess the likelihood of a default and the associated rating on corporate and SME clients is widely used to determine loan collateral criteria, as well as to conduct stress-testing on significant individual loans, and to optimise analysis and decision-making for the Bank's highly creditworthy clients. To keep the rating model up to date, as well as to improve the performance of the Bank's model, it is regularly validated. After validating the model with the assistance of Moody's international rating agency, it was introduced in the Bank's lending process in late 2020 using the Risk Rate platform, which is based on proprietary platforms.

Throughout 2022, work with problem loans continued, securing repayment through the sale of collateral, claims and lawsuits, transferring assets to doubtful asset management organisations and writing off bad debt. These measures have helped to reduce the share of overdue debt.

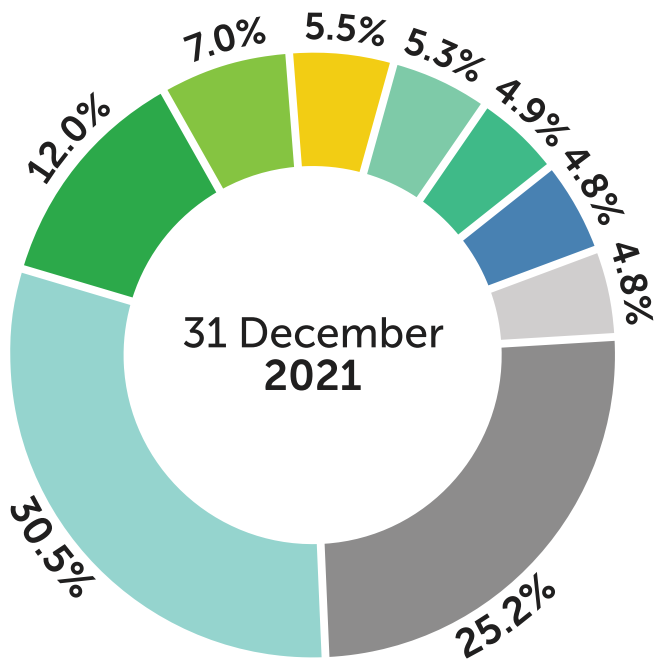
As of 31 December 2022, retail loans represented a significant share of Halyk Group's loan portfolio (30.6%); consumer and mortgage loans accounted for 25.9% and 4.7%, respectively. Broken down by industry, the largest segments were services (9.6%), wholesale trade (7.8%), retail trade (6.4%), oil and gas (4.9%) and real estate (4.1%).

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

31 December 2022



31 December 2021



2022: Retail loans; Services; Wholesale trade; Retail trade; Oil and gas; Real estate; Energy; Chemicals; Finance sector; Other sectors

2021: Retail loans; Services; Wholesale trade; Retail trade; Oil and gas; Real estate; Energy; Chemicals; Other sectors

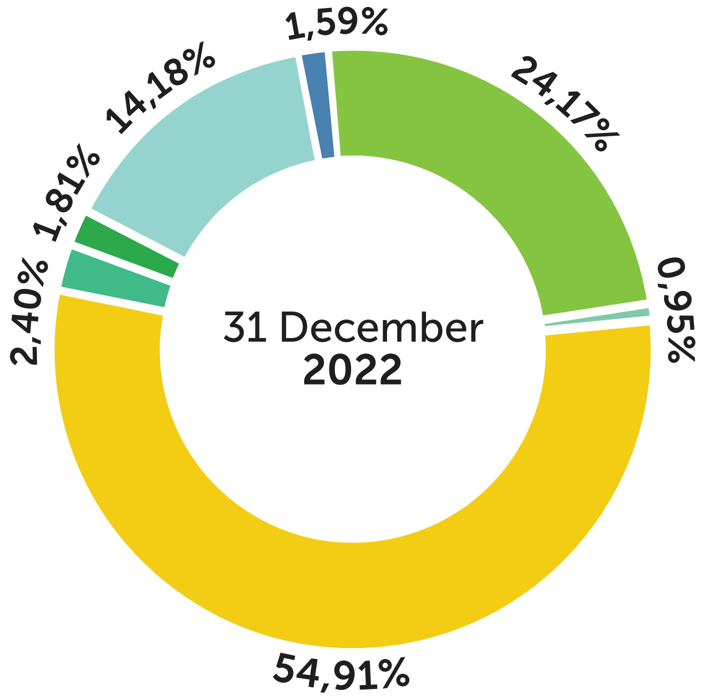
3) Asset/liability management

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

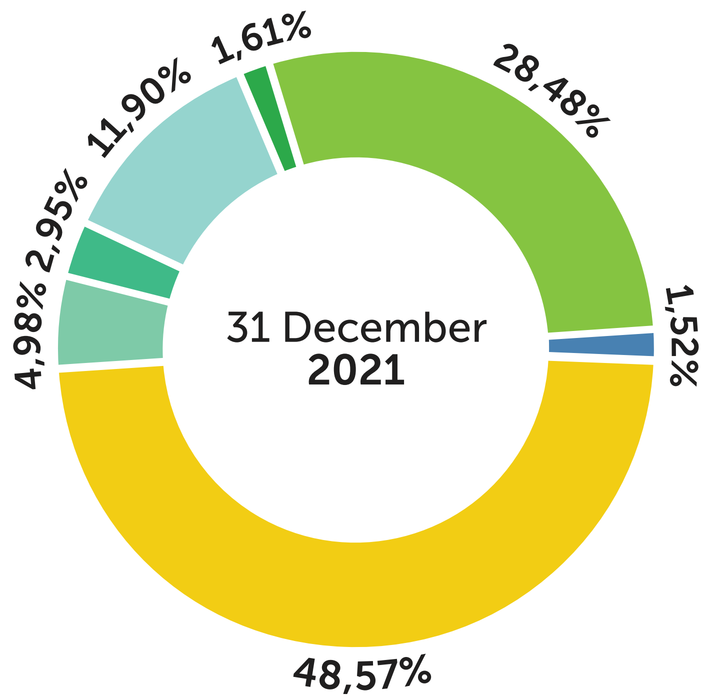
The breakdown of the Group's assets in 2021 and 2022 was as follows.

Breakdown of Halyk Group's assets,[1]%

31 December 2022



31 December 2021



- Cash and cash equivalents
- Obligatory reserves
- Securities portfolio
- Loans to customers
- Amounts due from credit institutions
- Property and equipment and intangible assets
- Other assets

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

In 2022, Halyk Group's assets increased by 18.4% year-on-year. This was driven mainly by an expansion of the loan portfolio on a net basis by KZT1,985.7 billion (up 33.8% year-on-year) and an increase in cash and equivalents by KZT589.0 billion (up 40.9% year-on-year). The loan portfolio remains the largest item among Halyk Group's assets: as of 31 December 2022, it accounted for 54.9% of the total. Other key assets included investments in securities (trading and investment portfolio; share of 24.2%), as well as cash and cash equivalents (share of 14.2%).

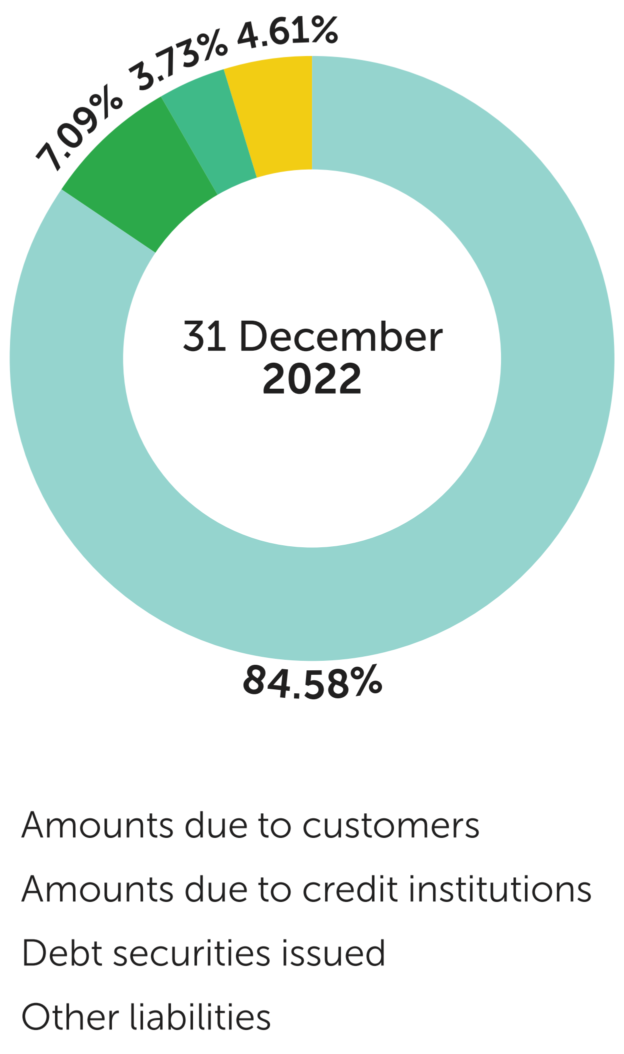
The Group regularly checks the current positions of its existing limits for counterparty banks. Whenever it identifies any negative factors affecting their operations and/or their countries of operation, it makes immediate relevant adjustments to reduce the amount and term of such limits.

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

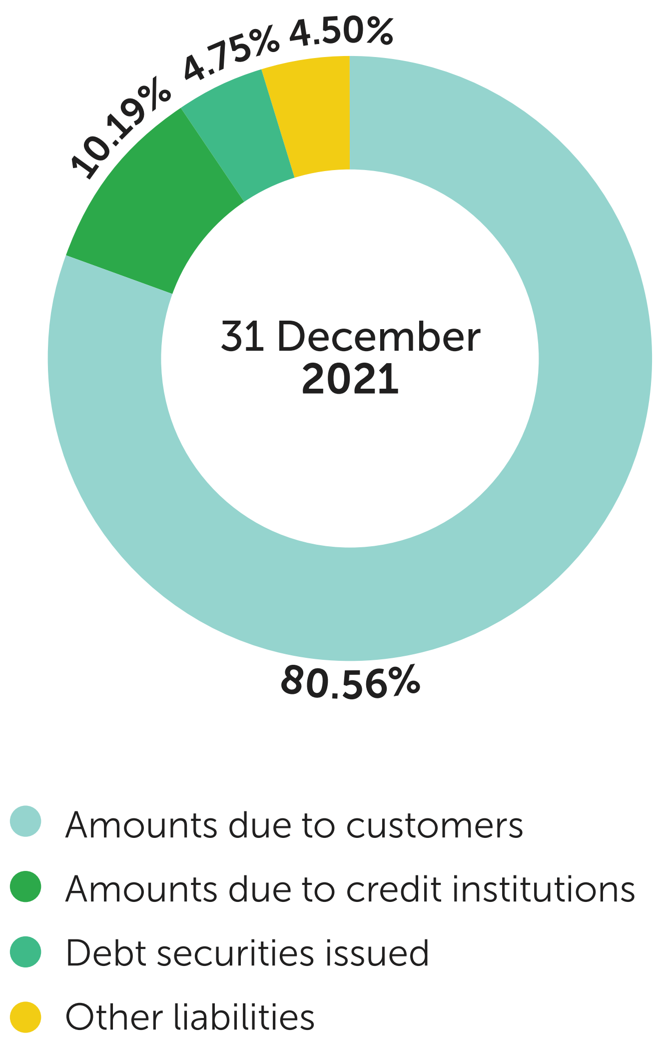
The breakdown of the Group's liabilities in 2021 and 2022 was as follows.

Breakdown of the Group's liabilities, %

31 December 2022



31 December 2021

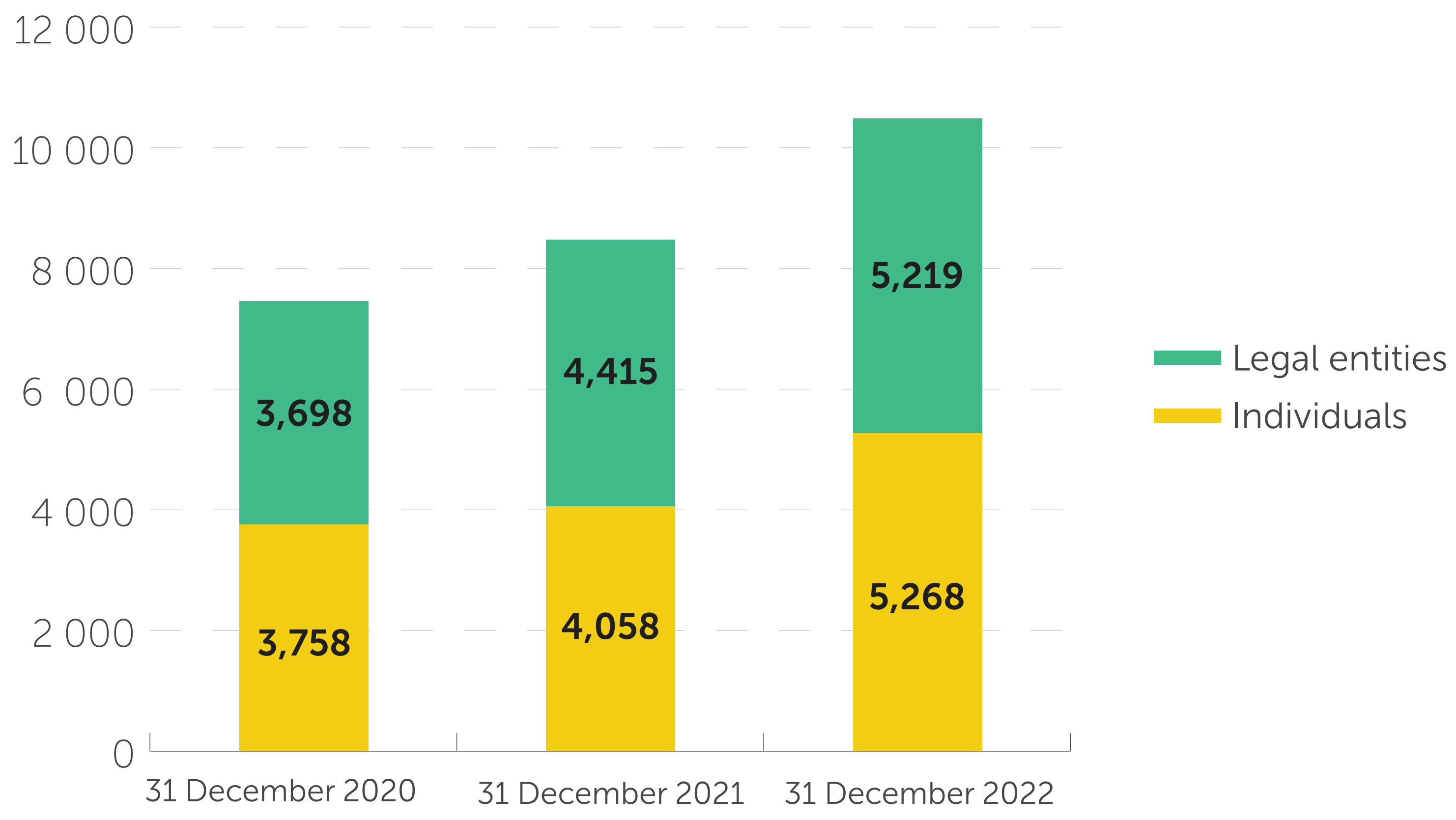


The primary change in the liability structure in 2022 was in amounts due to customers. As of the year-end, amounts due to customers rose by KZT2,014.2 billion (up 23.8%) in absolute terms. They continued to account for the largest proportion of liabilities, at 84.6% in 2022, compared with 80.6% in 2021.

The proportions of term deposits and current accounts in amounts due to customers did not change materially, at 68.9% and 31.1%, respectively, compared with 67.5% and 32.5% in 2021.

In 2022, the amount of funds attracted from individuals increased by 18.2% and that from legal entities by 29.8%

Amounts due to the Group's customers, KZT billion



The Bank's focus on raising funds in the domestic market helped it to maintain leading positions in the customer account market. As of 1 January 2023, Halyk Bank was the market leader, with a share of retail deposits of 30.4% (compared with 32.1% at the end of 2021) and a share of corporate deposits of 35.5% (compared with 32.4% at the end of 2021).

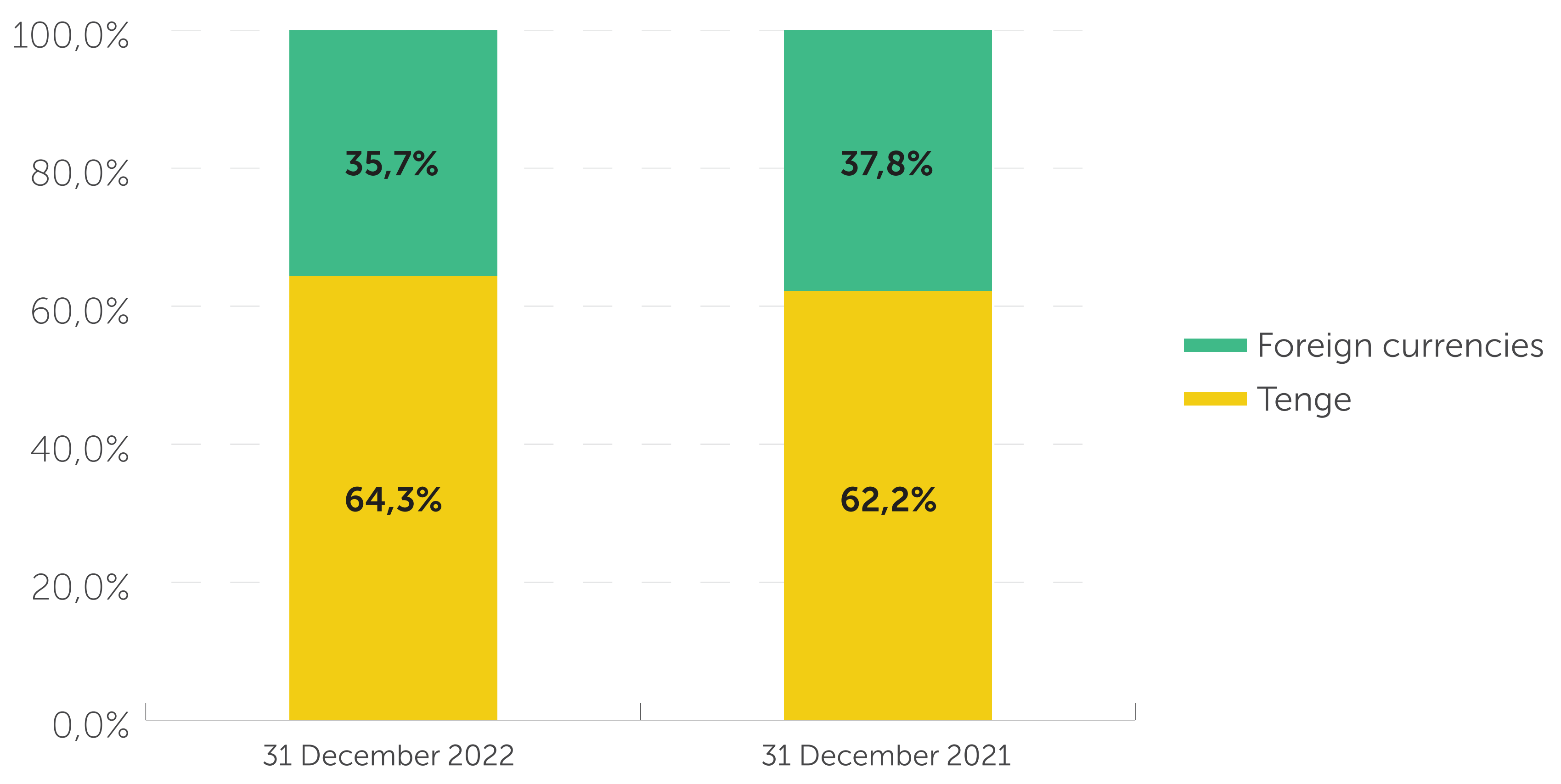
4) Market risk management

In 2022, the Bank adhered to its conservative policy on currency position management, maintaining neutral positions in all currencies.

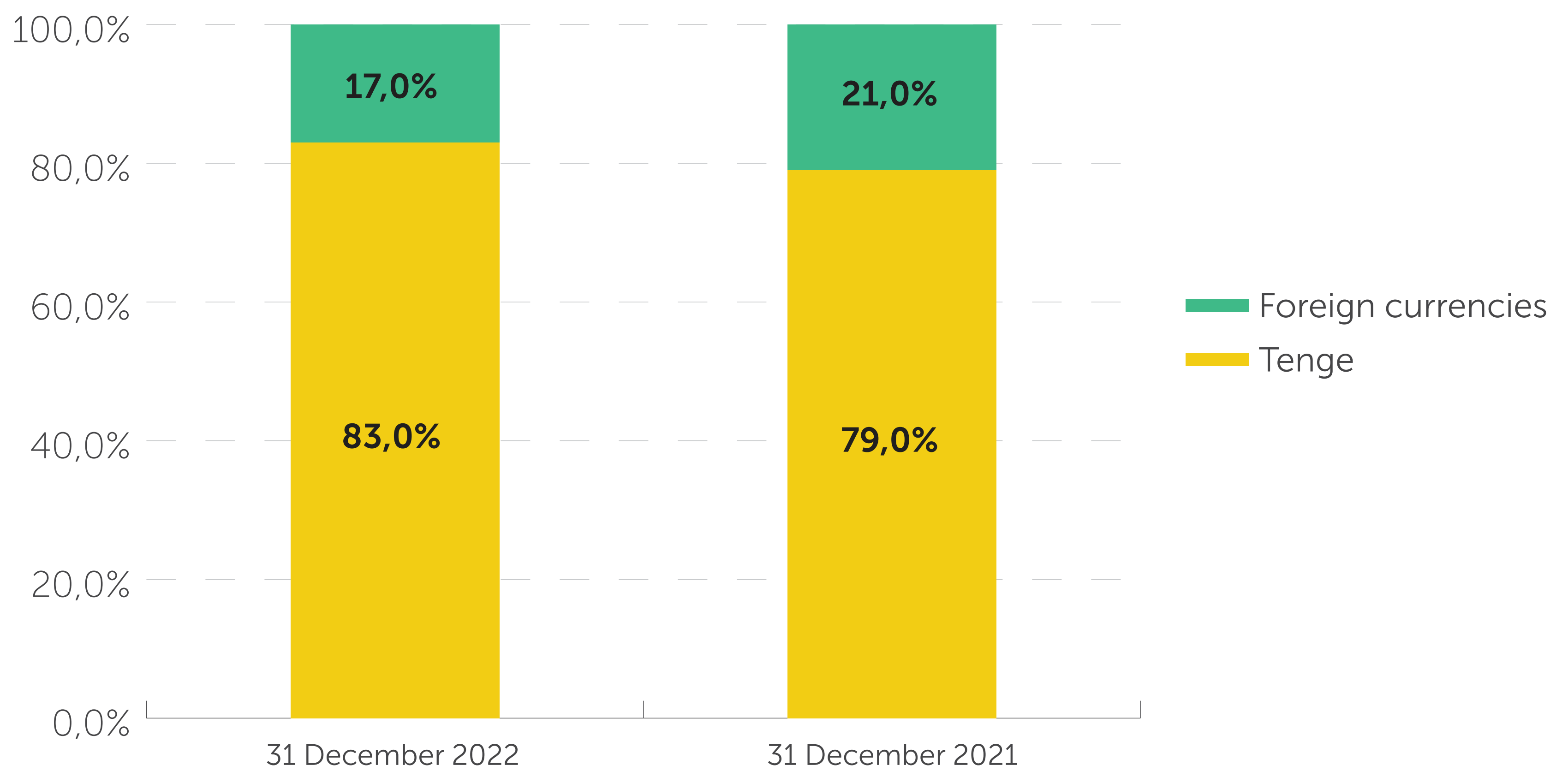
The share of the Group's assets in tenge increased from 62.2% in 2021 to 64.3% in 2022, while the share of the loan portfolio in tenge rose from 79.0% to 83.0%.

The share of deposits in tenge increased to 56.6%, compared with 51.7% in 2021.

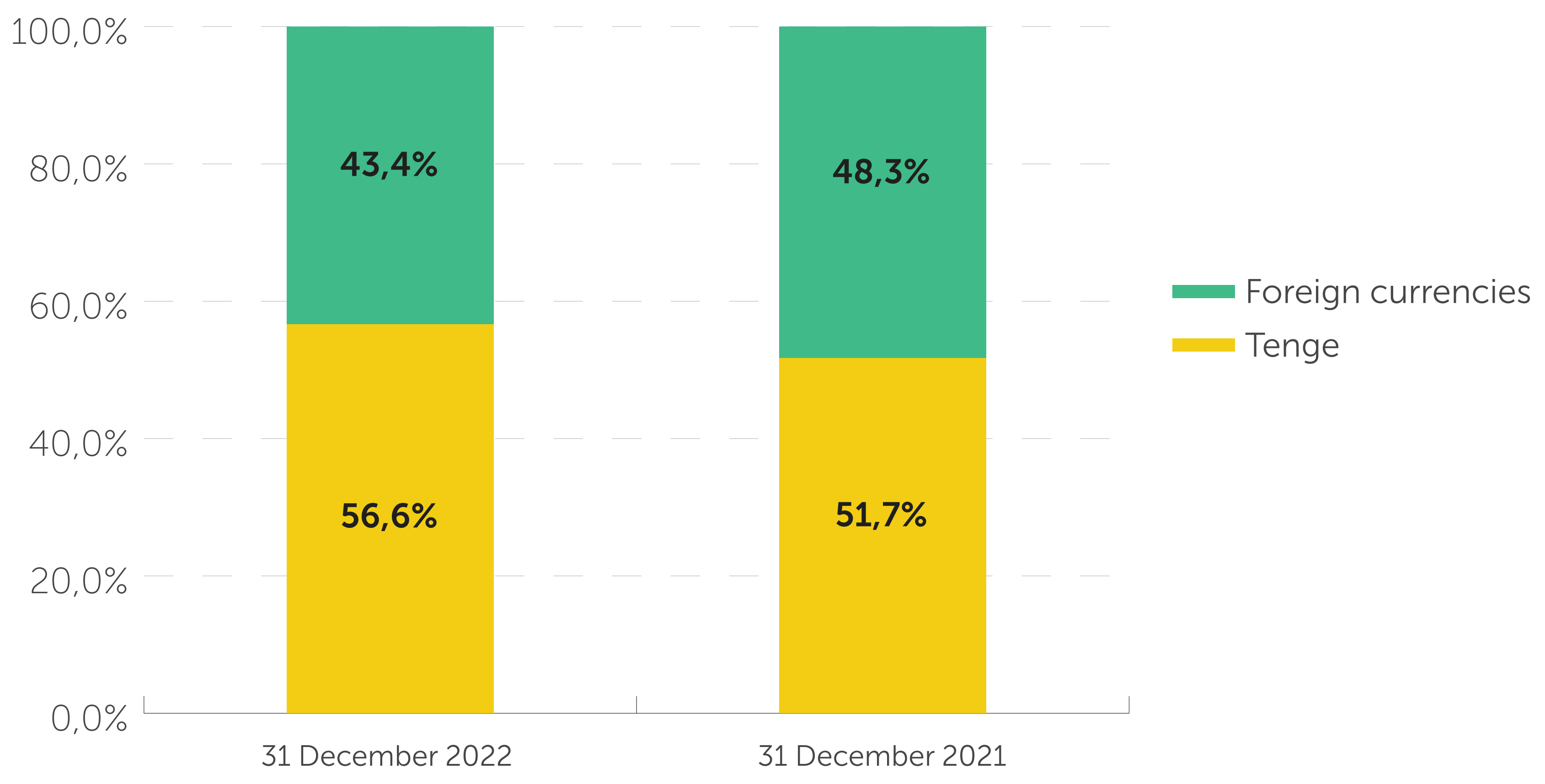
Breakdown of the Group's financial assets by currency, %



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



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



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

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

In 2022, rising inflationary pressures prompted a rapid and significant tightening of monetary policy by central banks. The National Bank of Kazakhstan hiked its base rate six times during the year, from 9.75% to 16.75%.

Despite the interest rate hikes, the Bank's interest rate risk did not increase significantly, remaining within the established risk appetite limits.

5) Operational risk management

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

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

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

6) Business continuity management

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

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

In 2022, to increase the awareness of the business units involved in the business continuity process, employees on the recovery teams of the Bank's Head Office and regional branches underwent business continuity training and testing. The test results were reviewed by a collegiate body.

7) IT and information security risk management

In 2022, the Bank continued its efforts to manage information technology (IT) and information security (IS) risks and further developed its IT and IS risk management system. During the year, the Bank conducted a cycle of IT and IS risk management activities. This included setting up a working group to update critical information assets; assessing, processing and monitoring risks; and reviewing the existing IT and IS risk management systems of the Bank's subsidiaries. It then developed action plans to minimise the IT and IS risks identified. In addition, together with the departments involved, work is ongoing to analyse and minimise the risks associated with social engineering fraud.

8) Capital management

In 2022, the Bank continued to manage its capital to ensure the business continuity of all Group companies and optimise its debt-to-equity ratio. In the reporting period, the Bank ensured compliance with the capital requirements set by regulatory standards and the Basel Accords.

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

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

9) Compliance risks

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

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Corporate governance

CORPORATE GOVERNANCE

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

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

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

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

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

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

Compliance with the UK Corporate Governance Code

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

As a foreign company with global depositary receipts admitted to the Official List of the London Stock Exchange, the Bank is not formally required to comply with the UK Corporate Governance Code published by the Financial Reporting Council, the independent regulator of the United Kingdom. However, in accordance with DTR 7.2, the Bank is obliged to disclose information about its compliance with both the Kazakh Code of Corporate Governance and the existing corporate governance principles to which it adheres above those stipulated in Kazakh legislation.

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

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

UK Corporate Governance Code	The Bank's Code of Corporate Governance
Stipulates a maximum three-year term for the re-election of directors.	Does not require a regular re-election of the Board. Instead, the scope of the General Shareholder Meeting includes determining the Board's term of authority. The General Shareholder Meeting of 22 May 2020 set a three-year term for the current Board.
Provides for meetings of non-executive directors at least annually, particularly to appraise the chairman's performance.	In 2022, non-executive directors held informal meetings, also attended by the corporate secretary, to discuss strategic issues, ways to improve corporate governance processes and the Board's activities, and to improve the work of the corporate secretary.
At least half of the Board, excluding the chairman, should consist of independent non-executive directors.	In accordance with Kazakh legal requirements, at least one third of the Board's members must be independent directors. The composition of the Board, as appointed by the General Shareholder Meeting on 22 May 2020, includes five independent non-executive directors out of seven.

UK Corporate Governance Code	The Bank's Code of Corporate Governance
Non-executive directors should carefully analyse to what extent the Management Board's work fulfils the aims and objectives set, monitor its activities, and ensure that financial information provided is complete and that financial controls and the risk management system are effective and reliable.	In accordance with Kazakh legal requirements, all members of the Board of Directors monitor the activities of the Management Board.
The Board of Directors should ensure that an appropriate succession plan is in place when appointing members of the Board of Directors and the senior management, in order to create an appropriate balance of skills and experience in the company and the Board of Directors, and to continuously refresh the talent pool.	Stipulates the procedure for creating the Board of Directors and requirements for candidates to it, the aim being to ensure an optimal balance of experience and knowledge needed for the Board of Directors to function effectively.

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

Corporate governance events in 2022

- On 22 April 2022, the Bank held its annual General Shareholder Meeting, at which nine decisions were taken regarding matters under consideration, including information about shareholders' appeals concerning the actions of the Bank and its officials.
- Considering the changes in external economic conditions given the escalation of the geopolitical situation, the deterioration of global risk sentiment and increased volatility on global financial markets, which placed significant pressure on the financial market of Kazakhstan, the national currency and the inflation rate, the General Shareholder Meeting decided not to accrue or pay dividends on the Bank's common shares, not to distribute the net income of Halyk Bank for 2021 and to direct it towards undistributed net income.
- At the extraordinary General Shareholder Meeting on 21 October 2022, the decision was taken to pay dividends for 2021 of KZT12.71 per common share. The Bank paid dividends on common shares from the undistributed net income of previous years. Total dividends on the Bank's common shares payable based on the list of shareholders entitled to receive dividends as of 12:00 a.m. on 25 October 2022 amounted to KZT138.6 billion, including KZT39.5 billion on global depositary receipts (GDRs), for which the Bank's common shares are the underlying asset. Total dividends paid to the current bank accounts of the Bank's shareholders on record with the Bank or listed in the system of the securities holder registrar or the nominal holding accounting system amounted to KZT138.3 billion from 27 October 2022 (the start date of dividend payments) to 17 January 2023 inclusive, including KZT39.5 billion on GDRs, for which the Bank's common shares are the underlying asset. On 18 January 2023, the Bank transferred dividends of KZT360.4 million that were accrued but not paid due to the lack of shareholders' current bank details to an account for unclaimed funds at JSC Central Securities Depository (hereinafter the Central Depository) in accordance with the requirements of the Kazakh law on joint-stock companies.
- The General Shareholder Meeting decided to appoint Deloitte LLP to audit the Bank's financial statements based on the results of operations for 2022-24.
- In 2022, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities, consistent with best international practices. The results of the assessment (self-assessment) were submitted for consideration to the Bank's shareholders at the General Shareholder Meeting.
- In 2022, 33 official appeals by the Bank's shareholders were considered regarding dividend payments on the Bank's shares, shareholders' personal data, share ownership rights, requests for information about income tax withholding, and other matters concerning the Bank's activities and Kazakh securities market legislation.
- In 2022, the General Shareholder Meeting approved amendments to the Corporate Governance Code to introduce sustainable development and ESG principles into the Bank's corporate governance system, as well as to define the powers and responsibilities of the Board of Directors and the Management Board as regards measures to embed sustainable development and ESG principles in the Bank's operations. In addition, the Bank drafted the following documents to effectively achieve the sustainable development goals: Sustainable Development Policy; Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy; Personal Data Collection and Processing Policy; Environmental Code; and Code of Ethics.
- In 2022, the Bank prepared and published its sustainability report for 2021 as part of its systematic approach to sustainable development.
- In 2022, in-person meetings of the Board of Directors considered reports on the implementation of the Action Plan for the Introduction of Sustainable Development Principles and Goals for 2022-24.
- In 2022, the Social Responsibilities Committee of the Board of Directors was transformed into the Sustainable Development Committee, and ESG functions were distributed among the committees of the Board of Directors.
- In 2022, there were changes in the composition of the Management Board.
- A training course on corporate governance and sustainability issues was developed to hold seminars with Halyk Group's corporate secretaries.
- In 2022, the corporate governance practices at the Bank's Kazakh and foreign subsidiaries were reviewed and a report was prepared with recommendations for improvement.
- The results were reviewed of Bank stress-testing that was conducted based on a general economic scenario for 2023 (using scenario analysis).

Corporate governance structure

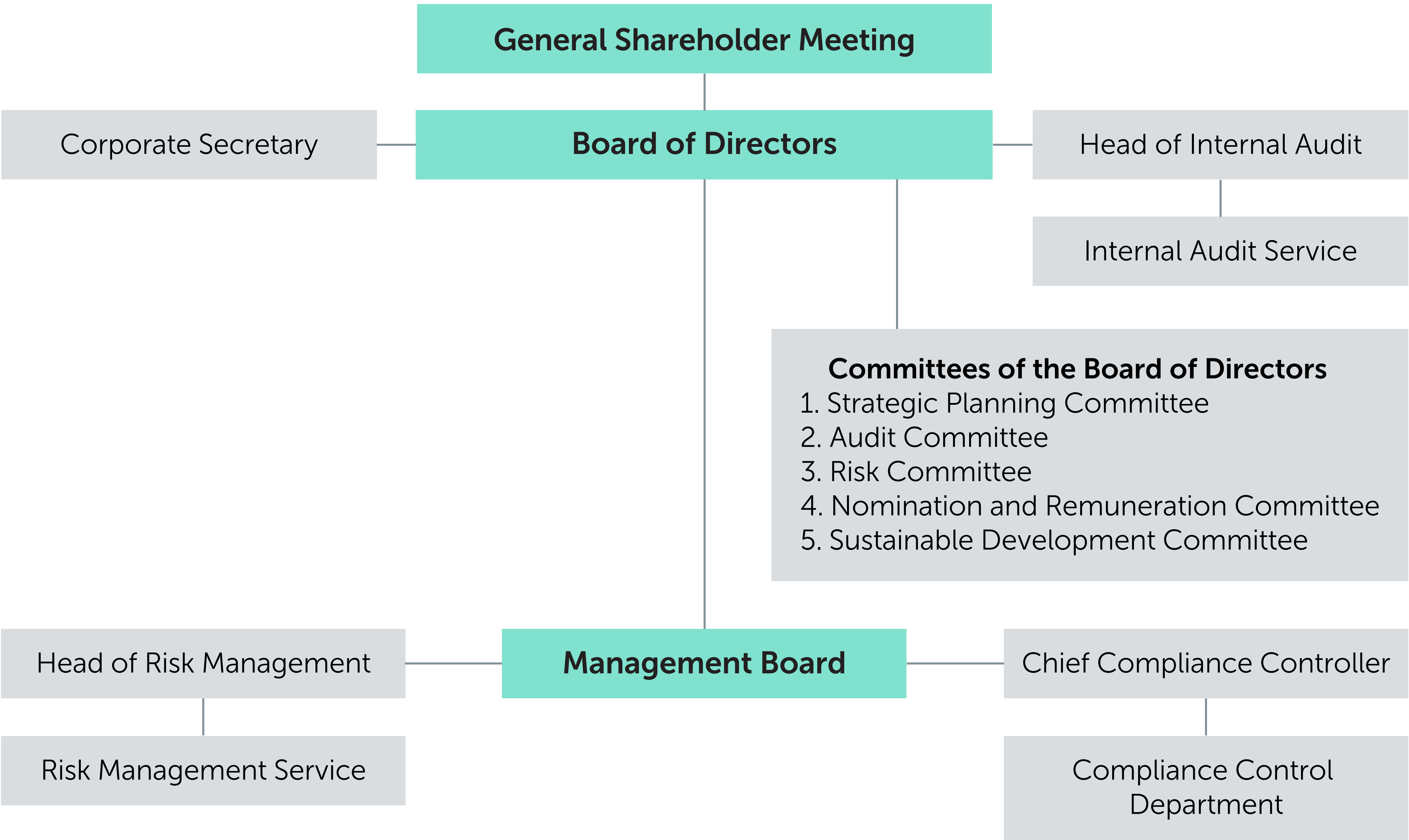
The Board of Directors has the following consultancy and advisory bodies: Strategic Planning Committee, Audit Committee, Nomination and Remuneration Committee, Sustainable Development Committee and Risk Committee. For more details of their work, please see the respective subsection below.

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

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

The Bank engages 'Big Four' professional services firms to audit the financial statements of Halyk Group. In 2022, this was carried out by Deloitte LLP.

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



Board of Directors structure

As at 1 January 2023, the composition of the Board of Directors was as follows:

Board of Directors	
Alexander Pavlov	Chairman of the Board of Directors, Risk Committee Chairman, independent non-executive director
Arman Dunaev	Strategic Planning Committee Chairman, Sustainable Development Committee Chairman, independent non-executive director
Frank Kuijlaars	Nomination and Remuneration Committee Chairman, independent non-executive director
Mazhit Yessenbayev	Member of the Board of Directors, representative of Holding Group ALMEX
Christof Ruehl	Audit Committee Chairman, independent non-executive director
Piotr Romanowski	Independent non-executive director
Umut Shayakhmetova	Member of the Board of Directors, Chairperson of the Management Board
Total	7 directors

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

Directors' skills and experience

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

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

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

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

Directors' skills and experience	
Banking	7 directors
Oil and gas and mining	3 directors
Other industries in the real economy	5 directors
Finance	7 directors
Leadership	7 directors
Risk management	4 directors
Medicine and biotechnology	1 director
International experience	5 directors
Strategic vision	7 directors
Corporate governance	7 directors
Human resource management	7 directors
Sustainable development	7 directors

Management Board structure

In 2022, there were changes in the composition of the Management Board.

On 10 February 2022, Anton Musin stepped down as a member of the Management Board and was transferred to the position of chief managing director for IT and innovation.

On 1 April 2022, the following individuals were appointed as deputy chairpersons of the Management Board:

- Olga Vuros (previously served as director of Corporate Clients Department No. 1)
- Roman Mashchyk (previously served as department director and project manager of the Digital Lending Risk Department and director of the Office of Chief Data Scientist)
- Nariman Mukushev (previously served as the Bank's managing director)

Also on 1 April 2022, Aliya Karpykova and Askar Smagulov stepped down as members of the Bank's Management Board.

As of 1 January 2023, the composition of the Management Board was as follows:

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

Activities of the Board of Directors

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

In 2022, Halyk Bank's Board of Directors held six meetings in person, at which 55 matters were considered, as well as 57 in absentia, at which 636 matters were considered.

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

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Alexander Pavlov	6 / 55	54 / 600*
Arman Dunaev	6 / 55	57 / 633**
Mazhit Yessenbayev	6 / 55	53 / 588*
Frank Kuijlaars	6 / 55	55 / 623****
Christof Ruehl	6 / 55	55 / 605****
Piotr Romanowski	6 / 55	57 / 636
Umut Shayakhmetova	6 / 55	53 / 600***
Total	6 / 55	57 / 636

* Taking into account annual leave

** Arman Dunaev did not participate in the discussion and voting of the Board of Directors on matters related to JSC Halyk Finance and JSC Halyk Bank Georgia because he is a member of the Board of Directors and an independent director of JSC Halyk Finance and JSC Halyk Bank Georgia

*** Umut Shayakhmetova did not dparticipate in the discussion and voting on matters in which JSC Altyn Bank was a party to transactions or matters concerning charitable aid to the Kazakhstan Gymnastics Federation and the National Olympic Committee of Kazakhstan

**** Taking into account business trips

The most important matters that the Board of Directors considered in 2022 included:

1) The Board of Directors considered the results of a scenario analysis on the impact on the Bank's financial stability in 2022 of potential geopolitical, inflationary and epidemiological risks, as well as risks of terrorist attacks/threats.

2) The Board of Directors considered and approved amendments to Halyk Bank's Development Strategy for 2022-24 to adjust certain key performance indicators (KPIs) based on Halyk Group's adjusted budget for 2022 and the Bank's second-tier budget for 2023.

3) The Bank prepared and published its sustainability report for 2021. This document detailed the main aspects of the Bank's ESG activities. The Bank made a voluntary commitment to provide transparent disclosure of key information about its sustainability performance by publishing this report.

4) The Board of Directors drafted and tentatively approved amendments to the Corporate Governance Code to introduce sustainable development and ESG principles into the Bank's corporate governance system, as well as to define the powers and responsibilities of the Board of Directors and the Management Board as regards measures to embed sustainable development and ESG principles in the Bank's operations. These amendments to the Bank's Corporate Governance Code were later approved at the General Shareholder Meeting.

5) In accordance with the requirements of the Bank's Code of Corporate Governance, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in 2021. The results were submitted for consideration to the Bank's shareholders at the General Shareholder Meeting that was held on 22 April 2022.

6) The Social Responsibilities Committee of the Board of Directors was transformed into the Sustainable Development Committee, and ESG functions were distributed among the committees of the Board of Directors.

7) A new version of the Rules for Presenting Management Information about the Activities of Halyk Bank of Kazakhstan to the Board of Directors of Halyk Bank of Kazakhstan was drafted and approved.

8) The Board of Directors took the decision to sell 100% of Halyk Bank Tajikistan JSC (Tajikistan) and 100% of Moskommertsbank Commercial Bank JSC (Russia).

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

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

- Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's strategy for 2022-24 (including the Bank's technological transformation, as well as the development of digital products and services)
- The results of the operations and budget execution of the Bank and Halyk Group for 2021 and H1 2022
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2023
- The internal audit department's working plan for 2023 and long-term working plan for 2024-26
- The election and resignation of several members of the Management Board and changes to the composition of several committees of the Board of Directors
- Approval of the Bank's major projects

- Preliminary approval of the Bank's 2021 financial statements and quarterly performance reports of the Management Board
- The reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

In January 2022, the Bank's Risk Management Service conducted an unscheduled scenario analysis on the impact on the Bank's financial stability in 2022 of potential geopolitical, inflationary and epidemiological risks, as well as risks of terrorist attacks/threats, and submitted it to the Board of Directors for consideration.

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

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

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

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

Detailed committee reports

General provisions

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

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

Audit Committee

The Audit Committee was established in July 2005.

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

Its members are:

Christof Ruehl – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Arman Dunaev – member, independent non-executive director

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

Committee functions

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

Committee activity

In 2022, the committee held three meetings in person, at which it considered seven matters, and 46 meetings in absentia, at which it considered 46 matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Christof Ruehl	3 / 7	46 / 46
Arman Dunaev	3 / 7	46 / 46
Alexander Pavlov	3 / 7	43 / 43*
Total	3 / 7	46 / 46

* Taking into account annual leave

To ensure the completeness and reliability of the financial statements, the committee reviewed the external auditor's interim (quarterly) financial reports, as well as letters to the management of the Bank and subsidiaries. It also approved and submitted for consideration by the Board of Directors the annual financial statements for 2021. As part of this work, the committee discussed the principles of the most important accounting judgments, policies and procedures, among other matters, with the external auditor and the Bank's finance department.

In addition, in 2022, the committee reviewed an assessment of the internal audit department's activities by independent external consultant PricewaterhouseCoopers LLP for compliance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and the Code of Ethics for Internal Auditors.

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

In 2022, the committee also reviewed the quarterly analytical reports on the Bank's portfolio quality prepared by the risk management service.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established in September 2007.

The committee consists of three members of the Board of Directors who are elected by a majority of Board members. At least two of the committee's members must be independent non-executive directors.

Its members are:

Frank Kuijlaars – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Arman Dunaev – member, independent non-executive director

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

Committee functions

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

Committee activity

In 2022, the committee held 11 meetings in absentia, at which it considered a total of 21 matters.

	Meetings in person (number of meetings / number of matters considered)*	Meetings in absentia (number of meetings / number of matters considered)
Frank Kuijlaars	-	11 / 21
Arman Dunaev	-	11 / 21
Alexander Pavlov	-	11 / 21
Total	-	11 / 21

* No meetings were held in person.

Remuneration to the members of the Board of Directors and Management Board of Halyk Bank for 2022 totalled:

(KZT)

Members of the Bank's Board of Directors and Management Board	Total income
	3,887,874,824.49

In 2022, the following mandatory deductions were made from the above income of members of the Board of Directors and Management Board of Halyk Bank:

(KZT)

Members of the Board of Directors and Management Board	Individual income tax	Mandatory pension contributions	Compulsory health insurance contributions	Total mandatory deductions
	386,039,044.86	27,900,000.00	1,272,000.00	415,211,044.86

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

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

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

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

Strategic Planning Committee

The Strategic Planning Committee was established in April 2012.

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

Its members are:

Arman Dunaev – Chairman, independent non-executive director

Alexander Pavlov – member, independent non-executive director

Piotr Romanowski – member, independent non-executive director

Mazhit Yessenbayev – member, director

Umut Shayakhmetova – member, Chairperson of the Management Board

Olga Vuros – expert (non-voting member)

Murat Koshenov – expert (non-voting member)

Dauren Sartayev – expert (non-voting member)

Zhumabek Mamutov – expert (non-voting member)

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

Committee functions

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

Committee activity

In 2022, the committee held three meetings in person and two in absentia, at which it considered a total of 10 matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Arman Dunaev	3 / 8	2 / 2
Alexander Pavlov	3 / 8	2 / 2
Mazhit Yessenbayev	3 / 8	2 / 2
Piotr Romanowski	3 / 8	2 / 2
Umut Shayakhmetova	3 / 8	2 / 2
Murat Koshenov*	3 / 8	2 / 2
Dauren Sartayev*	3 / 8	2 / 2
Olga Vuros*	3 / 8	2 / 2
Zhumabek Mamutov*	3 / 8	2 / 2
Total	3 / 8	2 / 2

* Expert (non-voting member)

The committee reviewed the results of the implementation of Halyk Group's Development Strategy for 2019-21 in 2021 and Halyk Group's Development Strategy for 2022-24 in the first half of 2022. The analysis showed satisfactory progress.

The committee also reviewed changes to Halyk Group's development strategy for 2022-24.

In addition, the committee reviewed the Bank's draft budget for 2023 and the execution of the Bank's budget for H1 2022.

The committee also analysed changes in the external environment (regulatory, economic, financial, etc) and assessed the impact of such changes on Halyk Group's development strategy for 2022-24.

Sustainable Development Committee

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

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

Its members are:

Arman Dunaev – Chairman, independent non-executive director

Frank Kuijlaars – member, independent non-executive director

Christof Ruehl – member, independent non-executive director

Umut Shayakhmetova – member, Chairperson of the Management Board

Murat Koshenov – expert (non-voting member)

Dauren Sartayev – expert (non-voting member)

Committee functions

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

Committee activity

In 2022, the committee held two meetings in person at which it considered four matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)*
Arman Dunaev	2 / 4	–
Frank Kuijlaars	2 / 4	–
Christof Ruehl	2 / 4	–
Umut Shayakhmetova	2 / 4	–
Murat Koshenov**	2 / 4	–
Dauren Sartayev**	2 / 4	–
Total	2 / 4	–

* No meetings in absentia were held

** Expert (non-voting member)

The committee reviewed the following matters:

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

Risk Committee

The Risk Committee was established in May 2020.

Its members are:

Alexander Pavlov – Chairman, independent non-executive director

Arman Dunaev – member, independent non-executive director

Piotr Romanowski – member, independent non-executive director

Umut Shayakhmetova – member, Chairperson of the Management Board

Roman Mashchyk – expert (non-voting member)

Almas Makhanov – expert (non-voting member)

Committee functions

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

1) Regularly assessing the risks inherent in the Bank's activities, including when reviewing management risk reports, as well as keeping the Bank's risk profile up to date

2) Preparing recommendations for the Board of Directors as necessary on the following matters:

- Managing the primary types of risks inherent in the Bank's activities (regarding credit, liquidity, market, capital management, operational, business continuity management, information technology and information security) to develop individual strategic decisions regarding the Bank's risk appetite strategy and risk profile
- Managing the Bank's compliance risks
- Ensuring the adequacy and effectiveness of the Bank's internal control system
- Addressing other matters that are under its remit based on applicable legislation and the Bank's internal regulations

3) Performing oversight of the Bank's internal control system

4) Ensuring the implementation of procedures to identify, prioritise and manage the ESG risks of the Bank's borrowers

5) Ensuring compliance with responsible financing principles and the inclusion of ESG criteria in decision-making processes on project financing by introducing them into the Bank's Credit Policy

6) Ensuring the implementation of ESG risk management processes in the Bank's overall risk management system to minimise the negative impact of lending and investment activities

7) Ensuring the implementation of procedures to assess the impact of climate risks on the business model and strategic planning, as well as conducting scenario analysis and stress testing

Committee activity

In 2022, the committee held five meetings in person and 16 in absentia, at which it considered a total of 34 matters.

	Meetings in person (number of meetings / number of matters considered)	Meetings in absentia (number of meetings / number of matters considered)
Alexander Pavlov	5 / 13	14 / 18***
Arman Dunaev	5 / 13	16 / 21
Piotr Romanowski	5 / 13	16 / 21
Umut Shayakhmetova	5 / 13	14 / 19***
Roman Mashchyk*	2 / 6**	9 / 14***
Almas Makhanov*	5 / 13	16 / 21
Total	5 / 13	16 / 21

* Roman Mashchyk and Almas Makhanov serve as non-voting experts on the Risk Committee of the Board of Directors

** Roman Mashchyk was appointed to the Risk Committee of the Board of Directors on 22 April 2022 (extraordinary meeting of the Board of Directors No. 3 dated 22 April 2022)

*** Taking into account leave

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

- Results of a scenario analysis on the impact on the Bank's financial stability in 2022 of potential geopolitical, inflationary and epidemiological risks, as well as the risks of terrorist attacks/threats
- A report on the compliance (self-assessment) of internal processes for assessing capital adequacy and liquidity adequacy for 2021
- Approval of the scenarios, parameters and results of the stress testing of the Bank's financial stability under a general economic scenario (using the scenario analysis method) for 2022
- Results of an assessment of the impact of the combined risk scenario on the Bank's financial stability
- Presentations on the Bank's portfolio quality for the reporting period
- A report about the Bank's 20 largest borrowers for the reporting period
- Approval of the Risk Appetite Strategy and risk appetite levels (for credit risk, market risk, liquidity risk, operational risk, strategic risk and reputational risk)

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

- Management reporting about the Bank's risks
- Consideration and approval of the stress-testing results
- Introduction of amendments and additions to the Bank's internal regulations

Board assessment results for 2022

1. Board work style and culture

- The Board follows a classic management model in its activities due to the need to comply with applicable laws, risks and shareholder interests. The Board's psychological atmosphere and work style promote constructiveness and efficiency. During the assessment, the majority of Board members expressed the opinion that it is necessary to maintain in-person meetings among members of the Board of Directors, the Management Board and other key employees of the Bank to exchange information and develop new ideas for the Bank's sustainable development, where possible.
- The Board supports initiatives to develop in the areas of ESG and the ecosystem, and to introduce new tools that can improve its performance. During 2022, the Board adopted several policies aimed at embedding ESG principles into the corporate governance system as well as expanding the powers and responsibilities of the Board of Directors and the Management Board for their introduction into the Bank's activities. The Social Responsibilities Committee of the Board of Directors was transformed into the Sustainable Development Committee.
- The Board possesses the necessary expertise in finance, financial reporting, internal control and audit, banking, risk management and corporate governance. The most critical areas of the Board's expertise are: digital transformation; innovation; risk management; finance; internal control and audit; human resources and talent development; strategic management; and sustainable development (ESG).
- There are no obvious or latent conflicts among the Board members that affect its efficiency, and all Board members focus on working together efficiently as a collegial management body.
- The relationship between the Board of Directors and Management Board contributes to the Bank's ability to operate in the interests of shareholders.

2. Board composition and structure

- The Board's composition is optimal and balanced (in terms of members' knowledge and experience) to perform the functions assigned to it, including to oversee the implementation of the Bank's development strategy. The Board of Directors intends to enhance its expertise in information technology, cybersecurity, artificial intelligence, ESG, big data and innovation in the banking business. To ensure the efficient implementation of Halyk Group's development strategy for 2022-24, the assessment recommended searching for one or more additional Board members who are experts in information technology, digital products and ecosystems, cybersecurity, data science, robotic automation and ESG.
- The Bank has an optimal system in place to improve Board members' expertise and qualifications. The Bank monitors technological advances and new approaches in banking, in both Kazakhstan and other countries where it operates. Where necessary, additional training will be provided for Board members. In 2022, information sessions (seminars and training) were held for the Board of Directors and the Management Board in banking, finance, macroeconomics and strategic management.
- The Bank has an effective system for selecting Board members that helps it to attract true professionals. It has formed a roster of candidates who have the right to apply to be independent directors of the Bank and its subsidiaries.
- At present, the gender structure of the Board of Directors consists of 86% men and 14% women. To comply with best international practices, the assessment recommended considering the possibility of increasing the percentage of women on the Board of Directors from 14% to 30% (for example, women account for 30% of management bodies in the US and 39% in Europe).
- The average age of members of the Board of Directors is 62 years. According to a review of corporate governance practices in Kazakhstan prepared by the international consulting company Korn Ferry[1], the average age of a member of the Board of Directors in Kazakhstan is 53 years, while in Europe it is 60 years.

3. Board planning and operating procedures

- All newly elected Board members receive a Board Book containing the information needed to quickly familiarise themselves with the work of the Bank and Board of Directors. This includes key milestones in the Bank's history, Halyk Group's development strategy, the Bank's organisational structure, the procedures of the Board of Directors and Management Board, and the duties of Board members. All newly elected and current Board members also have access to training materials on ESG topics.
- The mandate of the Board of Directors is established in the Bank's charter, corresponds to its current strategic objectives and requires minor adjustments to enable Board members to participate in the development and discussion of new areas in the Bank's development, the introduction of digital services and products, the advancement of the ESG agenda, the development of the ecosystem and retail business, and the development of measures aimed at improving customer service quality.
- The quantity, frequency and duration of Board meetings, including the ratio of in-person and absentee meetings, meets the Bank's needs. Board members intend to continue working in a hybrid format (two to three in-person meetings and two to three absentee meetings held by videoconference).
- The assessment recommended that the Board of Directors and the Management Board increase the number of working meetings (for example, at Board of Directors committee meetings) to hold in-depth sessions on the implementation of the Bank's business objectives and strategy.

4. Effectiveness of corporate procedures and workflow

- The existing corporate procedures allow the Board of Directors to respond to external and internal threats promptly (pandemic, terrorist attacks, military conflicts, sanctions, and so on) and, if necessary, take measures to ensure the continuity of the Bank's operations.
- The process of preparing for and holding Board meetings is detailed in the Bank's internal regulations, which describe the operating procedures and logistics under normal conditions (without restrictions).
- The new version of the Rules for Preparing Documents Related to Convening and Holding Meetings of the Bank's Board of Directors has helped to improve quality and reduce the amount of paper materials for members of the Board of Directors (the volume of materials printed for the Board of Directors decreased by 70% compared with 2020-21).
- To incorporate the experience gained from working during the pandemic, corporate procedures have been adapted to the conditions in which the Bank operates (remote work, use of software for video meetings and workshops, restrictions on movement within cities and countries, lack of opportunities to print and physically sign documents, and so on).
- In 2022, the Bank launched the project to introduce a new electronic workflow system and automate the work of its collegial bodies to reduce paperwork and improve corporate procedures related to preparing for and holding Board meetings. It also plans to implement functionality to allow documents to be signed using electronic digital signatures.
- The Bank follows best practices and takes into account the specifics of its operations to determine which internal documents and policies must be developed and/or approved by the Board of Directors. The Board regularly analyses the Bank's internal regulations that fall within its remit and considers proposals of the Management Board to bring them into compliance with current Kazakh law, reduce bureaucracy and simplify corporate governance processes.

5. Functional areas of the Board's work

- In 2022, amendments were made to the Corporate Governance Code to embed sustainable development principles in it and expand the functional responsibilities of the Board of Directors for implementing sustainable development goals as regards: 1) determining approaches to integrate sustainability principles into the Bank's strategy; 2) embedding relevant ESG procedures and practices into the Board's work, and determining the responsibilities of Board committees for matters related to sustainable development; 3)

[1]https://forbes.kz/actual/stats/kak_vyiglyadyat_sovetyi_direktorov_kompaniy_v_kazahstane/

approving top-level internal documents of the Bank (policies) regulating ESG issues; and 4) monitoring the implementation of the ESG agenda.

- The Board of Directors decided to transform the Social Responsibilities Committee into the Sustainable Development Committee. In 2022, the Sustainable Development Committee held two meetings in person, at which reports were heard on the Action Plan for the Implementation of the Sustainable Development Principles and Goals for 2022-24.
- The materials submitted for Board meetings are complete, of high quality and contain the necessary and sufficient information on the agenda items for a member of the Board of Directors to make an informed decision. The Bank's procedures for preparing materials for Board meetings are standardised and enshrined in the relevant internal regulations, which are regularly reviewed and adapted to changes in the processes related to preparing for and holding Board meetings.
- To strengthen control over the implementation of the Bank's development strategy, plans and programmes, the Board uses the platform of its Strategic Planning Committee, as well as informal meetings of members of the Board of Directors and the Management Board, to discuss business, the Bank's Strategy, short- and long-term market trends, and competitor analysis in Kazakhstan and the countries where Halyk Group operates.
- The Board sets and approves KPIs for the Bank's executives, and regularly reviews the Management Board's performance regarding budget indicators and strategic objectives for the reporting period at least once every six months.

Relations with minority shareholders

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

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

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

Dividend policy

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

In September 2012, the Board of Directors approved the Bank's Dividend Policy. Its main purpose is to establish a clear and transparent decision-making mechanism regarding dividend payments, including their size and the procedure and timelines thereof, given the following limitations:

- Ensuring that the Bank has an adequate distribution of net profit
- Ensuring that there are no restrictions on dividend payments in Kazakh legislation or contracts that the Bank has with third parties, particularly with foreign financial organisations (covenants)
- Maintaining (retaining) the Bank's international credit ratings
- Conducting an audit of the Bank's financial statements for the reporting period
- Complying with decisions of the General Shareholder Meeting
- Paying dividends no more than once per calendar year
- Avoiding a default or situation when paying dividends could lead to a default on the Bank's obligations
- Complying with the projected CET 1 capital adequacy ratio on a consolidated basis, taking into account planned dividend payments of no less than 17%

Existing limitations on payments of dividends on common shares (covenants) are as follows:

- When determining the dividend amount (per common share) to recommend to the General Shareholder Meeting, the Board of Directors considers the Bank's total equity and assumes that the overall dividends on common shares will be 50-100% of net profit for the reporting period as determined by the Bank's audited consolidated financial statements. To ensure that the dividend payment is made, the Bank will use, among other resources, cash received as dividend payments from subsidiaries.
- In accordance with the Bank's strategic goals, the Board of Directors retains the right to suggest to the General Shareholder Meeting not to allocate part of net profit for the reporting period as determined by the Bank's audited consolidated financial statements for dividend payments on common shares, or to reduce the total for dividend payments on common shares to less than 50% of total net profit for the reporting period as determined by the Bank's audited consolidated financial statements.

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

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

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

KZT billion

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Preferred shares	None trading						0.338	2.61	1.8	2.24	5.24
Common shares	138.64	211.57	200.76	126.71	69.38	-	-	34.26	18.55	12.22	-
Total	138.64	211.57	200.76	126.71	69.38	-	0.338	36.87	20.35	14.46	5.24

* The information is presented on an unconsolidated basis.

Awareness and training of members of the Board of Directors

New members of the Board of Directors are provided with a Board Book containing basic information about the history and current positions of the Bank and Halyk Group, an organisational chart of the Bank, a director's responsibilities, and the main reports from the consolidated financial statements as of the most recent reporting date.
Members of the Board of Directors are also given information about the main changes in banking law.
In 2022, seminars and training sessions were held for members of the Bank's Board of Directors and Management Board covering strategic development, change management and IT.
The Bank intends to further develop and improve the knowledge and qualifications of members of the Board of Directors.

Risk management and internal control

Roles and responsibilities

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

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

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

Compliance risk management system

The Bank has developed an effective compliance risk management system (the System), which ensures:

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

- The conduct of business in compliance with Halyk Group's business ethics and standards

'Three lines of defence' risk management system

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

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

- The first line of defence is the controls developed to ensure correct day-to-day operations by various structural units of the Bank. The controls are developed by the structural units and are an integral part of business and other processes. Clearly delineated controls help to ensure sufficient risk mitigation and compliance with internal regulations, as well as compliance with external regulatory requirements. The divisions themselves manage and monitor the controls, enabling them to independently detect risks, weaknesses of business processes and possible unforeseen events, and to take corrective action.
- The second line of defence is compliance control by the Compliance Service.

The compliance control department arranges for procedures to comply with the requirements of the civil, tax and banking laws of Kazakhstan; the laws of Kazakhstan on state regulation, control and supervision of the financial market and financial organisations; the laws of Kazakhstan governing currency regulation, currency control, payments and payment systems, the provision of pensions, the securities market, accounting and financial reporting, credit bureaus and the formation of credit histories, collection activities, mandatory deposit guarantees, AML/CFT efforts and joint-stock companies; the laws of foreign states that influence the Bank's activities; as well as the Bank's internal documents regulating the procedure for the provision of services by the Bank and transactions on the financial market. It provides comprehensive and reliable information to the Board of Directors about the existence of a compliance risk.

The Bank's internal documents delegate separate functions of compliance risk management, if necessary, to the Bank's other structural units, provided there is no conflict of interest.

- The third line of defence consists of an independent assessment of the quality and effectiveness of compliance risk management by the internal audit function (see the "Internal Audit" section).

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

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

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

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

1) Kazakhstan's membership in the United Nations (UN), which obliges the Bank to comply with the sanctions and embargoes established by the resolutions of the UN Security Council

2) The listing of the Bank's securities on the London Stock Exchange

3) Nostro correspondent relations with banks in the US, EU, UK and other countries, whose clients are required to comply with international economic sanctions in their activities

4) The extraterritorial nature of the imposition of international and country-specific economic sanctions

To minimise possible compliance risks, the Compliance Service, along with other concerned units at the Bank, works to identify any elements of sanctions in operations, payments, transfers and transactions conducted by a client or counterparty of the Bank, or a counterparty of the Bank's client, by examining the details of operations, payments, transfers and transactions in which the Bank is involved.

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

1) The effect of international or country-specific economic sanctions

2) The effect of international and country-specific economic sanctions that restrict the export/import of goods, technologies, equipment, natural resources or other items.

The Bank regularly monitors information about international and country-specific economic sanctions using all available public sources based on which (if necessary) it revises/updates its procedures to minimise the risk of violating sanctions.

Internal audit

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

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

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

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

The Board of Directors approves the annual work plan and budget of the internal audit department. The internal audit department's reports are provided to the boards of branches, the Management Board, the Audit

Committee and the Bank's Board of Directors. Current issues related to the activities of the internal audit department are promptly discussed with the Chairperson of the Management Board and the Chairman of the Board of Directors. A significant number of internal audit department employees have international professional certifications.

The internal audit department provides ongoing methodological assistance to bring the internal audit services of the Bank's subsidiaries into compliance with the Standards and code of ethics of internal auditors.

In 2022, an independent external consultant conducted the fourth routine assessment of the activities of the Bank's internal audit department, based on which it reaffirmed the "full compliance" of the Bank's activities with the Standards and code of ethics of internal auditors.

Code of Ethics and Business Conduct

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

In 2022, as part of the short-term plan for the implementation of the sustainable development principles and goals, the Bank drafted and approved the Code of Ethics and Business Conduct (the Code of Ethics), which replaced the Bank's previous Rules of Corporate Ethics. The Code of Ethics was drafted in accordance with the generally recognised principles and norms of international law, the laws of Kazakhstan, corporate governance standards, the Charter, the Corporate Governance Code and other internal documents of the Bank, as well as best practices.

The objectives of the Code of Ethics are:

1) Secure the mission, values, principles and standards of business ethics and behaviour that guide the Bank's officials and employees in their activities

2) Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and decency

3) Increase and maintain trust in the Bank from shareholders, clients, business partners, public authorities, the public and other stakeholders, and strengthen its reputation as an open and honest player on the financial market

4) Assist in interacting effectively with stakeholders

5) Prevent violations of the current laws of Kazakhstan by the Bank's employees

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

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

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

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

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

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

Nomination and contracting of directors (general information on procedures)

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

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

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

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

Insurance of fiduciary liability

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

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

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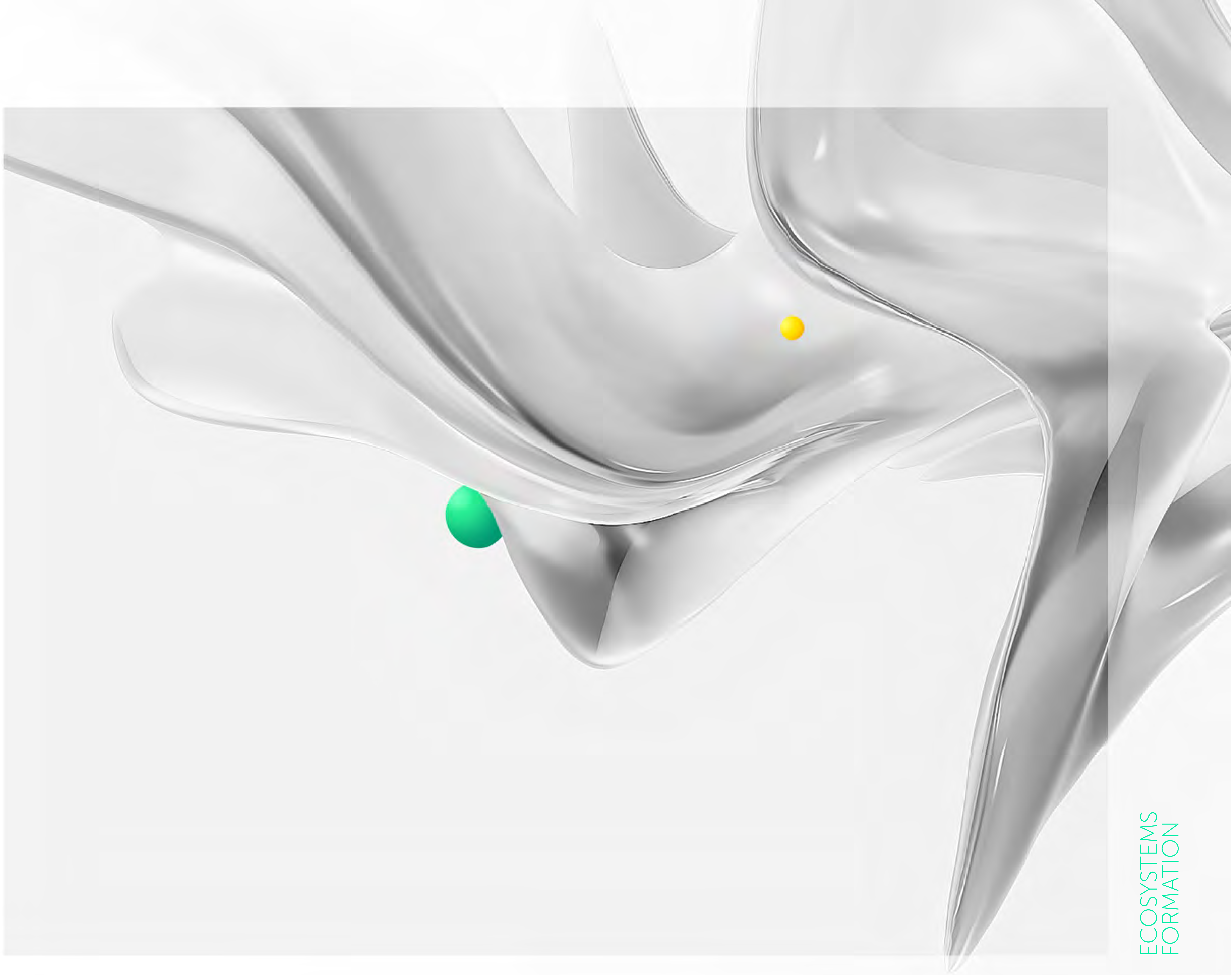
Social report



ECOSYSTEMS FORMATION

SOCIAL REPORT

Consistent with the principles of corporate social responsibility, Halyk Bank systematically engages in sponsorship and charitable activities. The Bank regularly implements socially significant projects that help to solve numerous acute social issues and have a direct correlation with its principles and mission.

For a decade, Halyk Bank has been supporting numerous projects in support of culture, education, sport and social protection, both directly and through the Halyk Charity Fund. It also regularly sends aid to charitable foundations that help children with serious illnesses. In addition, the Bank always remains involved in helping people affected by emergencies or natural disasters.

In 2022, the Bank provided over KZT6.5 billion in sponsorship and charitable assistance. A total of KZT2.5 billion was allocated through the Halyk Charity Fund to develop and support social projects in sport, education and culture. From its own funds, Halyk Bank allocated KZT332.3 million for sport in Kazakhstan and KZT195 million for cultural projects. The Bank actively supports the social sector, including in times of emergency, and allocated KZT3.5 billion for these purposes.

Supporting sport in Kazakhstan

Halyk Arena

In 2022, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. An outdoor skating rink was built with the Bank's sponsorship funds last year. The rink officially opened on 3 December 2022 and is now a favourite winter leisure spot for Almaty residents and guests.

Kazakhstan Gymnastics Federation

In 2022, the Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation. During the year, Kazakh athletes won 24 gold, 21 silver and 14 bronze medals at various international competitions in Thailand, France, Bulgaria, Turkey, Azerbaijan and Central Asian countries.

9th 'Courage To Be the First' Charity Marathon

In 2022, Halyk Bank supported one of the largest annual international races in Central Asia. The funds received from participant entry fees were allocated to the Kenes Public Association of the Disabled, the Social Adaptation and Labour Rehabilitation Centre, as well as other social projects. The Bank provided KZT25 million for sponsorship.

Table Tennis Federation

The WTT Contender Almaty international table tennis tournament was held in Almaty on 13-18 March 2022. Some of the world's top 100 ranked table tennis players took part in the tournament. Halyk Bank provided KZT20 million in assistance for the event.

National Olympic Committee, Beijing 2022 Paralympic Winter Games

Beijing hosted the Paralympic Winter Games on 4-13 March 2022. A total of 78 sets of medals were awarded at the Paralympics. The Kazakh national team had five athletes who competed in such sports as alpine skiing and the biathlon. The Bank provided KZT2.25 million in assistance for the athletes.

Supporting culture and the arts

Astana Opera

Since 2013, Halyk Bank has been a general partner of Astana Opera. In 2022, the fifth theatrical season featured the premieres of such opera and ballet performances as Alpamys, The Nutcracker and Cinderella. In 2022, the Bank's sponsorship amounted to KZT100 million.

Abay State Academic Opera and Ballet Theatre

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. In 2022, the Bank's support made it possible to purchase and install technical and climate control equipment, and also fund premiere productions. The Bank's sponsorship amounted to KZT50 million in 2022.

'Summer Music in Your Favourite City' Festival

To bolster its position as the general sponsor of Abay State Academic Opera and Ballet Theatre, the Bank decided to sponsor the three-day open-air festival 'Summer Music in Your Favourite City' in front of the theatre building. The Bank's sponsorship amounted to KZT30 million.

Social projects

Emergency situations

In 2022, the Bank provided assistance to Kazakh citizens who were victims of the following tragedies and emergency situations:

- KZT3 billion in assistance to Kazakh citizens following the events in January 2022 through the Kazakhstan Khalkyna Fund
- KZT115.6 million in assistance to the families of servicemen killed during the January events
- KZT82 million to residents of the Kostanay region affected by fires

Planting trees

National Forest Planting Day is an environmental campaign held annually in Kazakhstan that the Bank supports. In 2022, the Bank sponsored the planting of 77 frost-resistant Sakura seedlings in the Presidential Park in Astana. The total sponsorship amount was KZT950,000.

Ayala Charity Fund

Halyk Bank has been supporting the Ayala Charity Fund since 2009. The fund works to save the lives of children born with various health issues. In 2022, the Bank provided support totalling KZT24.25 million to purchase medical equipment to alleviate visual impairment in newborns with retinopathy, specifically the 3nethra neo retinal camera, and to train ophthalmologists on how to work with this device.

Construction of a children's playground in Aktau

The Bank is actively involved in the social life of the regions. Taking care of children is one of the Bank's top priorities in its social activities. In honour of the opening of the new building of the Bank's Mangistau regional branch, the Head Office, which initiated the charity event, presented the head of the region with a gift to the city of Aktau in the form of a certificate for KZT5 million to build a children's playground.

Victory Marathon

Each year, the Bank supports World War II veterans. In 2022, the Bank provided financial assistance to 101 WWII veterans totalling KZT7.575 million, of which each veteran received KZT75,000.

Council of Generals

In 2022, the Bank decided to provide KZT5 million in support to the Council of Generals National Public Association. The Council of Generals used these funds to reprint the book A Dive into Immortality by Talgat Begeldinov, a two-time Hero of the Soviet Union, and hold several events dedicated to the 100th anniversary of the legendary pilot's birth.

Education

Yerkin Soz Kazakh media competition

In 2022, Halyk Bank continued to support the Yerkin Soz Kazakh media competition, which aims to improve the professional skills of financial journalists. The budget for 2022 amounted to KZT5 million. A total of 316 people participated in the competition, and 10 journalists received awards.

Image projects

Kazakhstan Growth Forum

Halyk Bank sponsored the organisation of an annual summit of financiers called the CFO Idea Exchange and Networking Event. Also known as the CFO Summit, this professional platform brings together the country's leading financiers and economists to share experience and find solutions on key issues concerning economics, finance, investment and IT technologies in Kazakhstan. The total sponsorship amount was KZT1 million.

Women in Business Forum

The Bank has been actively supporting entrepreneurial women for several years, which has led to its sponsorship of the Women in Business Forum organised by the Atameken Council of Business Women in Almaty. The total sponsorship amount was KZT3 million.

'ULTTYQ ÓNIM 2022' Exhibition of Kazakh Manufacturers

As part of its cooperation with the Damu Fund, Halyk Bank sponsored the ULTTYQ ÓNIM 2022 Exhibition of Kazakh Manufacturers, which the Damu Fund organised. This sponsorship provided an opportunity for the Bank's management to hold its own session with entrepreneurs in Astana. The total sponsorship amount was KZT15 million.

Ministry of Internal Affairs forum to mark the 30th anniversary of Kazakh internal affairs bodies

On 23 June 2022, the Ministry of Internal Affairs held a forum timed to coincide with the 30th anniversary of the founding of the internal affairs bodies of Kazakhstan. Kazakh companies showed off some of their latest technical solutions at the forum. Halyk Bank presented its GovTech products to the interior minister. The total sponsorship amount was KZT5 million.

Digital Bridge 2022 Forum

In September, the prominent Digital Bridge 2022 Forum was held with the participation of the president, major companies and international speakers. In an effort to develop the domestic IT industry and promote digital transformation, the Bank provided KZT15 million in sponsorship for the forum.

ESG international conference

The Bank adheres to global ESG principles and is the first financial institution in Kazakhstan to start publishing sustainability reports. To this end, the Bank decided to sponsor the international conference 'ESG: A New Paradigm for the Development of the Financial Market'. Representatives of the Bank spoke at the conference site and shared their experience in embedding sustainable development principles in the Bank's corporate governance system. The total sponsorship amount was KZT2 million.

Projects implemented through the Halyk Charity Fund

Since it was established in 2016, the Halyk Charity Fund has focused primarily on the development and support of social initiatives (85% of the total amount of assistance provided), as well as projects in sport (9%), education (4%) and culture (2.4%).

Last year was a real test for the country, as the tragic events of January 2022, which engulfed numerous regions of Kazakhstan, the unstable geopolitical situation in neighbouring states and the ongoing effects of the COVID-19 crisis all put a tremendous burden on the country's social protection system.

Due to this, in 2022, the fund focused on providing social assistance to the country and the population, as well as full support for the social initiatives of President Kassym-Jomart Tokayev.

The fund implemented 13 projects, including the following nine projects at the Bank's expense for a total of around KZT2.5 billion:

- KZT500 million in charitable assistance to micro and small businesses affected by the tragic events of January 2022 in Almaty

- KZT1.235 million to fund the construction of a kindergarten in the Kostanay region's Auliekol district
- KZT150 million to build a children's recreational area in the city of Zhanaozen
- KZT54.4 million in charitable assistance to the SOS Children's Villages of Kazakhstan Foundation
- KZT10.8 million in charitable assistance for the purchase of two specialised school buses for the National Physics and Mathematics School in Almaty
- KZT23.9 million in grants for students at Miras International Schools
- KZT120 million in charitable assistance to Astana IT University
- KZT3 million in support for the NISKYRAN school robotics team
- KZT402.8 million to fund the construction of social housing in Astana

Halyk Bank's HR system

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

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

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

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

Consistent with the principles of legality, fairness and equal opportunity, the Bank's efforts to foster a positive corporate culture, as well as its ESG agenda, in 2022, Halyk Bank approved the Code of Ethics and Business Conduct (hereinafter the Code of Ethics). This high-level document not only regulates interpersonal relations among employees and officials at the Bank, reflecting its values, mission and culture, but it also enshrines the Bank's moral position in joint activities with all concerned parties, such as shareholders, business partners, customers, government agencies, competitors and, ultimately, society as a whole (https://halykbank.kz/en/about-bank/korporativnoe-upravlenie).

International ESG standards were taken into account when drafting the Code of Ethics, which enshrines the following principles:

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

In addition, 79.4% of the total number of employees received training on the Code of Ethics to more deeply immerse them in its principles.

The Bank's headcount trends, 2012-22

Business area	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Difference 2022/2012	
Branches	7,394	7,395	7,308	7,367	7,074	7,254	10,187	10,303	10,168	9,738	9,545	29%	2,151
Head office	1,496	1,534	1,638	1,744	1,761	1,835	2,894	3,072	3,285	3,315	3,330	123%	1,834
Total	8,890	8,928	8,946	9,112	8,835	9,089	13,081	13,375	13,452	13,052	12,874	45%	3,984
Difference	-72	38	18	166	-276	254	3,992	294	77	400	178		
% Branches	-1.00%	0.00%	-1.20%	0.80%	-4.00%	2.50%	40.40%	1.14%	-1.31%	-4.20%	-1.99%		
% Head office	0.30%	2.60%	6.70%	6.50%	1.00%	4.20%	57.70%	6.15%	6.92%	0.90%	0.44%		
Total	-1%	0.40%	0.20%	1.90%	-3.00%	2.90%	43.90%	2.25%	0.58%	-2.90%	-1.36%		

To successfully implement the Bank's stated goals, the Bank's structure and headcount are regularly reviewed. In 2022, certain divisions were also optimised and new ones were created.

Data for the past period on all valid employment contracts as of 18 September 2020 was transferred to the Unified Employment Contract Accounting System (UECAS). Automating the transfer of employment contract data in the UECAS enables the Bank to comply with current legislation, while minimising the use of manpower and time.

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

Candidate selection

To position the Halyk brand as an innovative ecosystem that offers opportunities for ambitious professional and career plans, the Bank has launched and is operating a Telegram channel that posts its open vacancies on a daily basis. To date, the channel has more than 8,000 subscribers.

The adaptation programme has been strengthened to help new employees get quickly integrated into the work process and corporate culture, including the launch of the Halyk Dos Telegram bot, which provides newcomers with prompt answers to all their questions that arise during the probationary period.

The Bank took part in 17 job fairs, including Digital Bridge.

To intensify cooperation with the country's leading universities, two open events were held for students at International University of Information Technology, Kazakh-British Technical University and Suleyman Demirel University. Information about these events was announced in the Bank's social media accounts (Telegram and LinkedIn).

In 2022, the Bank received an award in the Region category of the Central Asia HR Brand Prize (the best employer projects in 2021) for its Halyk Academy, which was deemed to be a socially significant educational project.

The Bank pays particular attention to the training of specialists who are involved in hiring workers in the regions. These specialists were given information about modern recruiting tools that allow them to select candidates based on the values and expertise that are consistent with the Bank's model. More than 130 people have been trained.

Over 1,300 applications for recruitment have been processed, and more than 700 employees have been hired at the Head Office. To offer opportunities for the internal growth of talented employees, the Bank has shifted the focus from external recruitment to the internal movement of specialists with digital and big data skills. As a result, internal transfers accounted for 62% and outside hiring for 38% of this category.

The process of approving candidates has been optimised and the approval period using standard methods has been reduced to 3.27 business days.

Staff development

In 2022, the Bank devoted significant attention to developing managers' skills and unleashing their leadership potential, recognising that managers are the main drivers of all changes and innovations at the Bank.

Together with the Nazarbayev University Graduate School of Business, the Bank for the first time developed and launched the Leadership Potential Development Programme, which combines academic knowledge and practical tools for their application. The programme takes into account the Bank's needs and priorities and includes the following modules:

1. Leadership and Key Skills of an Effective Leader
2. Strategy and Digital Transformation, Including ESG
3. Strategic and Digital Marketing as a Tool to Meet Clients' Needs
4. FinTech and Banking
5. Change Management

Over six months, 45 of the Bank's managers from 24 cities of Kazakhstan completed the five programme modules and prepared more than 20 projects in mini-groups that aim to improve the Bank's processes and products.

The HR and retail banking teams continued to implement the Academy of Leaders project, a new programme designed specifically for retail banking leaders. The programme included five online modules that enabled its participants to improve their soft skills and leadership competencies.

Two streams of participants from retail banking completed the Academy of Leaders programme (100 people in the first stream and 87 in the second). They were trained on the job in small groups during the evenings. The 179 best retail banking employees graduated from the Academy of Leaders and created a talent pool. All graduates of the Academy of Leaders also underwent additional training from external trainer Maxim Batyrev on the subject 'True Leadership'.

The Academy of Leaders was also extended to include the transactions department. The 28 best department heads from the transactions team graduated from the Academy of Leaders and formed a talent pool for the position of head of the transactions department/deputy head of legal services.

For several years, the Bank has been working to develop its talent pool. In 2022, the development programme for succession candidates was implemented in an innovative format that incorporated aspects of gamification. The programme immersed the candidates in a competitive environment, which enabled them to maximise their opportunities and see their potential. The programme consisted of two streams of training for eight groups. Overall, more than 100 graduates completed 24 days of training and three months of intensive courses.

An external talent pool has been formed for the heads of subsidiaries, as well as for technical and expert positions at the Head Office.

In 2022, the HR department conducted its assessment of the leadership skills of managers through the OPQ personality questionnaire from SHL. All level of managers underwent the assessment:

- Department directors of the Head Office
- Deputy department directors of the Head Office
- Office directors of the Head Office
- Branch directors
- Deputy branch directors

A total of 328 managers completed the questionnaire, which accounted for 92% of the sample. Each manager received personal feedback with recommendations for development. The assessment results enabled managers to demonstrate the strengths that they can use to achieve better business results, as well as skills that need to be further developed.

Since the Bank declared 2022 the year of service, the theme of service became a priority when preparing corporate training plans for front-office employees. Bank cashiers underwent thorough training on standards and service, and also worked on how to correct common mistakes. The training was conducted throughout the year and encompassed around 1,800 cashiers. To support changes in the service model for legal entity service managers, internal business coaches held webinars, mobile training sessions and on-site training on the theme 'Service DNA. Emotions in Sales' for 100% of legal entity service managers. Over 200 employees from the SME unit were trained in the basics of financial analysis and IFRS. More than 200 consultants underwent training on the theme 'Customer Service. Attracting Customers to Homebank'. An external expert trained employees of transactional business centres on the theme 'Evolution of Sales'.

Third parties were also engaged to train front-office employees, as teachers from the branch network continued to provide theoretical training at the following online schools combined with on-the-job training in sales channels under the guidance of an experienced mentor:

- Online school for training retail business consultants
- Online cashier school
- Online school for retail business managers

More than 1,200 external individuals graduated from the schools. Of these, 1,001 people (83%) were hired by the Bank.

To provide regular systematic training for staff, specialised training trajectories for different businesses were developed and are updated with new courses, including distance-learning offerings and webinar meetings:

- For employees of the SME unit
- For employees of the retail banking unit
- For employees of the transactions department

Halyk Bank continued to use an adaptation programme for new staff members, as part of which a mentor from among a unit's experienced employees was assigned to each new employee at the headquarters and branches, who oversees them during the probationary period. During their first two months on the job, in-person Welcome training sessions are held for new Head Office employees. A Welcome webinar is also conducted for new branch workers and Head Office employees who are relocated to the regions. More than 700 new employees underwent the Welcome webinars and training sessions.

Employees of subsidiaries also underwent corporate training. The Bank's business coaches conducted training for employees and managers of Halyk Bank Kyrgyzstan, Halyk Life and Tenge Bank (273 subsidiary employees were trained).

Ten offsite teambuilding events were held for the first time for 400 employees of the Bank to improve the corporate culture and unite teams.

In 2022, external service providers were brought in to hold 23 training events in a corporate format (in-person/webinar), which were attended by 620 employees from the Head Office and branches.

Individual training was provided for 338 employees of the Bank. As in 2021, employees tended to prefer remote access to educational technologies and resources. This is the trend of the future today, as it enables employees to study at a time and pace that is comfortable for them. A total of 106 employees, mainly from the IT function, chose distance learning through the platforms Coursera, Slurm, Skillbox, SkillFactory, Data Boom, Datanomix.pro and Yandex Practicum. In 2022, the Bank concluded a partnership agreement with the corporate online learning platform Lerna Corp, which is an exclusive partner in Kazakhstan and an integrator of the leading online schools Skillbox, SkillFactory and GeekBrains. This cooperation enabled the Bank's employees and their families to receive an up to 45% corporate discount on all courses.

A total of 53 managers and employees from the Bank took part in professional conferences, forums and summits, including international events held in the CIS, China and UAE.

Mandatory training (health and safety, industrial and electrical safety as well as industrial and technical measures) was completed by 162 of the Bank's employees. Employees of the compliance control department took mandatory AML/CFT courses at a specialised training centre.

Two seminar meetings were held for directors of regional branches, as well as deputy directorate heads of the SME and retail banking units, and a seminar meeting was held for heads of transactions departments. As part of the first directorate, two training sessions were held simultaneously on the themes 'Personal Brand Strategy. Reputation Management' and 'Three Oceans: BANI – VUCA – SPOD'. During the second one, a training session was held on the theme 'Customer Service at Banks', after which the participants formed individual work plans to improve the quality of customer service at branches and discussed the intermediate results of the initiatives to improve customer service at an additional online session a month after the training.

With co-financing provided by the Bank, 17 employees of the internal audit function received professional certifications and passed exams.

As part of a comprehensive development programme for branch directors, as well as to share experience and study the work specifics of directors and business units from other regions, cluster training was held for all directors of the branch network. A total of 35 branch employees completed internal banking training.

The distance learning system (DLS) was updated as it is every year. The update supports the ability to assign courses and tests for large groups of participants (up to 25,000 appointments simultaneously).

Today, the DLS is used for the remote training and testing of employees of the Bank and its subsidiaries. Among the subsidiaries in 2022, active training/testing was conducted at Halyk Insurance Company, Tenge Bank, Halyk Bank Kyrgyzstan, Halyk Bank Tajikistan, Halyk Leasing and KUSA Halyk.

The Bank continues to add distance courses to the learning portal that aim to develop soft skills, hard skills and managerial skills (more than 30 courses). Employees can schedule these courses themselves.

A mobile application of the DLS was launched and provides all the Bank's employees with the opportunity to take courses and read books on self-development, personal effectiveness, psychology and business 24/7. More than 200 books are available in the mobile application. As of the end of 2022, around 1,000 Bank employees had installed the application.

We continue to expand the coverage of distance learning and testing. As of the end of 2022, it covered a total of 323,508 positions, an increase of 61% over 2021.

Staff motivation and loyalty

As a major employer in the financial sector, Halyk Group always strives to apply international experience and proven modern practices in business management and human development. Over the past few years, various crises have forced people to make adjustments to their daily lives, ranging from an epidemic and natural disasters to geopolitical challenges.

Recognising the well-coordinated teamwork, diligence and efficiency of each employee, the Bank conducts various measures that help to improve staff motivation and increase their loyalty to the Bank.

In an effort to set a competitive level of remuneration and increase the level of employees' motivation, involvement and efficiency, the Bank participates in surveys of salaries, benefits and compensation conducted by consulting companies. Based on the data obtained, in April 2022, the Bank conducted a systematic review of its employees' official salaries, which resulted in fixed salaries being increased by an average of 10%.

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

To acknowledge the loyalty, efficient work and caring attitude of Halyk Bank employees, a bonus was paid from the shareholder's dividends on common shares.

As part of the Bank's Well-being Programme, the social package was expanded and the conditions of certain benefits were revised.

In addition, to improve staff loyalty, a survey was conducted to study staff engagement, which showed that the Bank's employees are highly involved and exceeded the expected level by several points. The Bank now faces the task of maintaining a high level of engagement in the future.

The results of the Bank's employee achievement programme for 2021 were announced. The best employees in the following three categories received certificates, plaques and monetary awards:

1) Best Bank employee: 'Professionalism and Dedication to the Bank's Values' (first-degree nomination)
2) Best Bank employee: 'Diligence and the Pursuit of Success' (second-degree nomination)
3) 'Employee of the Year' (third-degree nomination)

The Bank's employees also received state and public awards. In recognition of Day of the Tenge National Currency, they received three 'Merey' orders, one 'Honoured Financier' order, eight 'Best Financier' medals, eleven Letters of Appreciation from the Association of Financiers of Kazakhstan, as well as six Letters of Appreciation from the National Bank of Kazakhstan. On Independence Day, they received one anniversary 'For Labour Distinction' medal and the honorary '25 Years of Kazatomprom' medal.

In 2022, the following events and contests were held to develop corporate and sporting spirit for the Bank's employees.

Holiday events:

- International Women's Day (8 March)
- Nowruz (Persian New Year)
- Kozy Korpesh – Bayan Sulu (a day celebrating Kazakh lyrico-epic poems)
- Defenders of the Fatherland Day
- Halyk Bank Day
- Day of the Tenge National Currency
- Day of the Republic
- Independence Day
- New Year
- 'Teambuilding in Nature' corporate trip for more than 800 employees of the Head Office

Sporting events organised by the Bank and outside organisations:

- Qualifying football tournaments were organised at all the Bank's branches
- A final football tournament was organised among Halyk Group's teams in Astana
- Training sessions were organised for the Bank's football teams

Contests on the MyHalyk intrasite:

- New 'AMBASSADOR'S AFFAIRS!', 'GOOD DEEDS OF HALYK BANKERS' and 'Products and Services' sections were added
- Photo contest 'The Most Stylish Girl at Halyk Bank!'
- Video greetings from the branches on 8 March
- The first music competition 'National Melodies'
- A competitive survey for the title of employees' own 'Kozy-Korpesh and Bayan-Sulu' heroes among Head Office staff
- The first men's 'Sport Achievements' photo contest was held, during which the Bank's male employees submitted photos demonstrating their sporting achievements, certificates, medals and cups, and the best of them were used as banner designs for the Head Office
- The 'Best of All!' children's talent competition was attended by 151 children of ages ranging from 3 to 13 years old, who submitted more than 173 works
- A charity auction and an online NFT art exhibition 'Halyk Küşi'/'The Power of the People' were held
- The following contests were held to celebrate New Year's: 'Best New Year's Trees', 'New Year's Workspace Decoration', 'Radio Greeting', 'New Year's Lottery among Head Office Employees' and 'Photo Contest for a Creative and Modern Image of Santa, Father Frost or Ayaz Ata'

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

- Letters of gratitude were prepared for selfless work during the tense period of the state of emergency in January 2022: 363 letters for branch employees and 381 letters for Head Office employees
- Charitable events were held throughout the year and assistance was provided to the Bank's retirees for the 9 May and 1 October holidays as well as anniversaries
- The Bank's employees visited orphanages (in April, June and September) and raised a total of KZT875,000 for orphanages in 2022

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

- A presentation was made about the 'green office' concept, including an action plan for environmental initiatives and video message
- The 'Halyk Extra' programme for the well-being of the Bank's employees was developed and approved
- Environmental protection training materials were developed for employees
- To support the 'My Cup, Please' movement, a motivational campaign was organised for employees by providing discounts in the Bank's cafeteria for employees who buy beverages using personal reusable glasses or thermoses
- A tree planting (pine saplings) campaign was held at the Ayusay Visitor Centre at Ile-Alatau National Park
- On World Cleanup Day, offices were cleaned and voluntary Saturday cleanups were held at the Bank's branches and Head Office
- Two voluntary Saturday cleanups and an eco-post campaign were held at the Alma-Arasan Gorge
- The 'No Car Day' campaign was held
- Employees were given the opportunity to receive free access to psychological training and relaxing meditation sessions in order to reduce stress and care for their emotional and mental health
- The permanent campaign 'Friday in the Bank's Corporate Colours' was introduced to support corporate spirit, engage staff and create a culture of ambassadorship

The following measures were organised to protect workers' health:

1) Influenza vaccinations for insured workers

2) COVID-19 vaccinations and boosters

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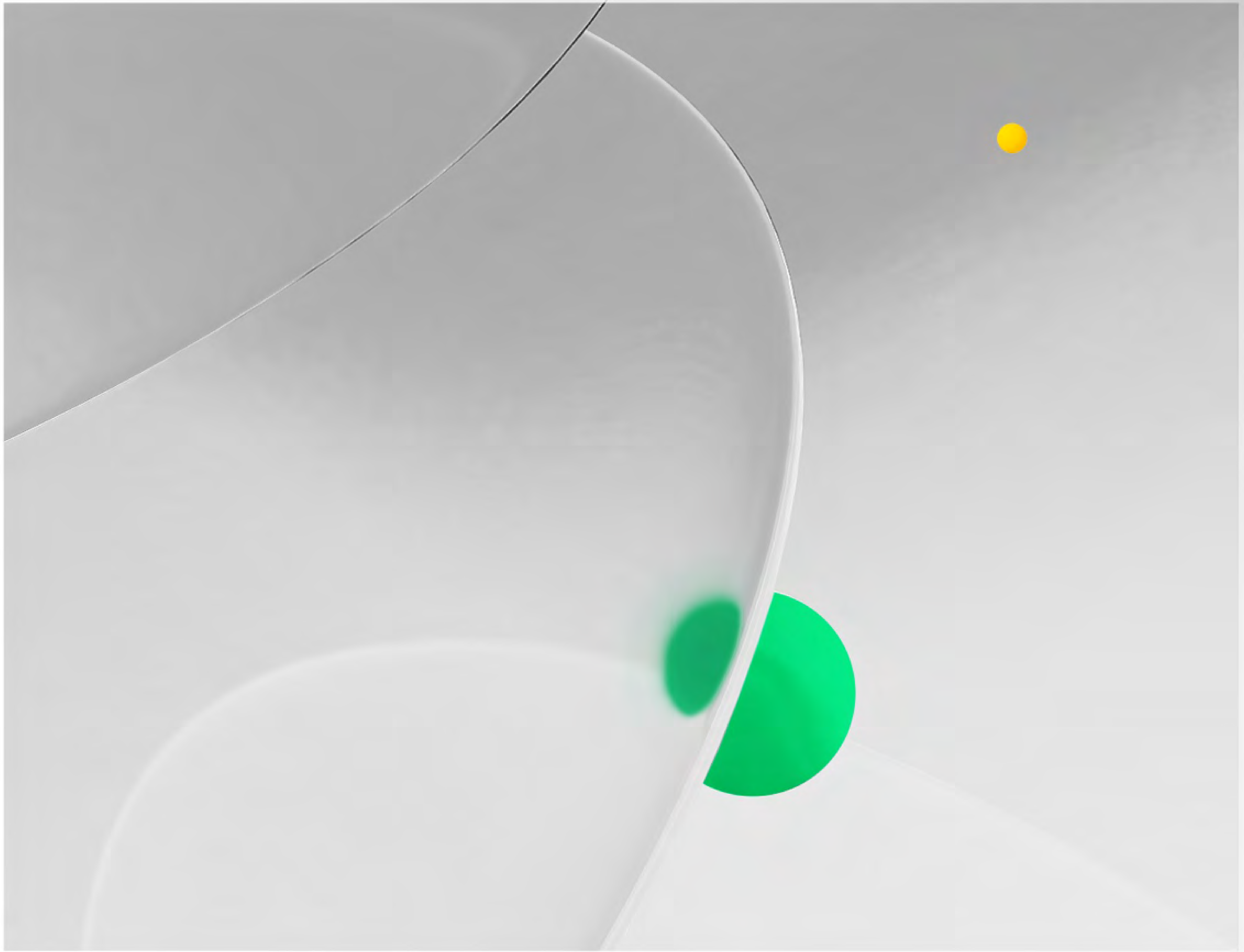
Responsibility statement



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Responsibility statement

RESPONSIBILITY STATEMENT

We here with confirm that, to the best of our knowledge:

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

UMUT SHAYAKHMETOVA

CHAIRPERSON OF THE MANAGEMENT BOARD

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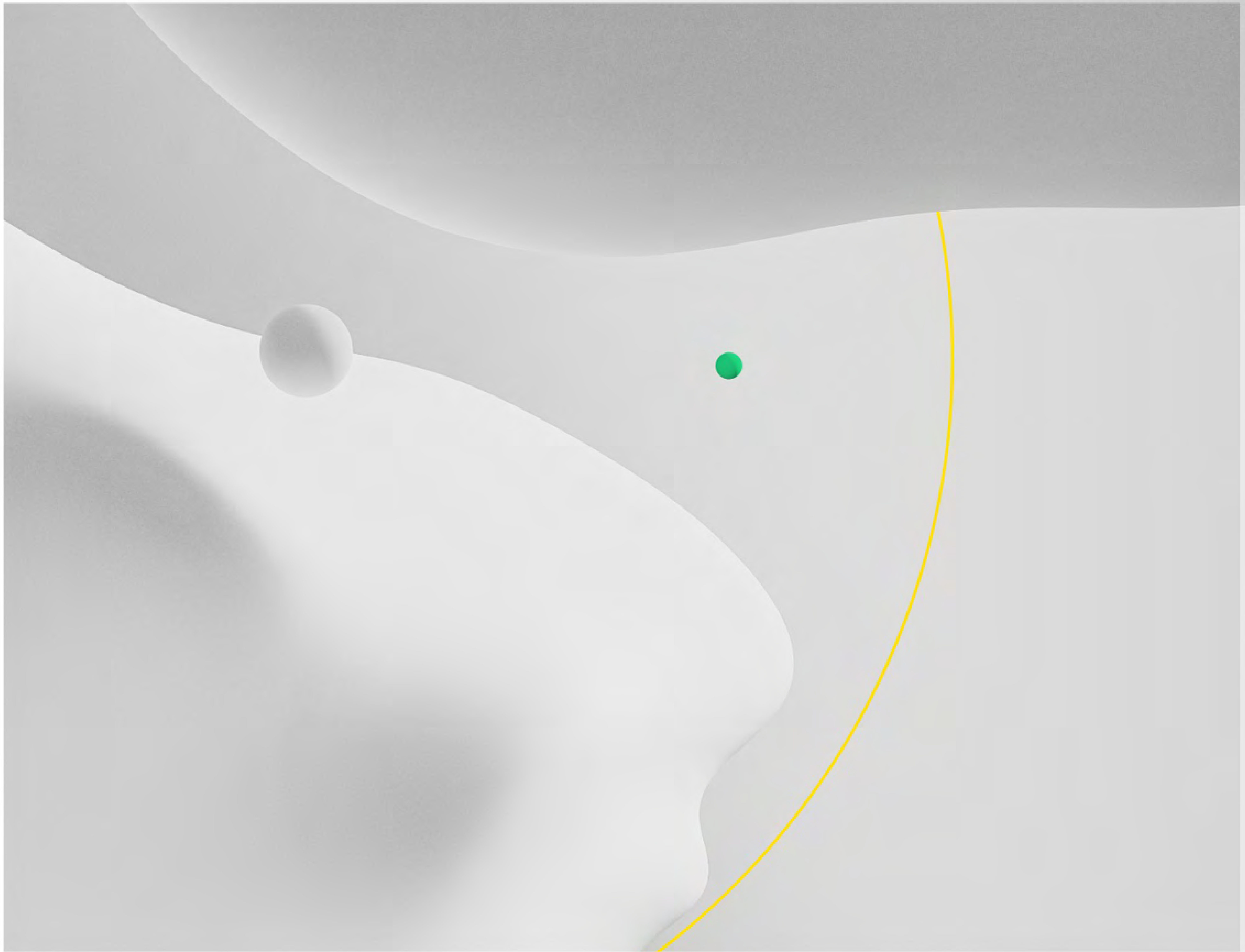
Outlook



ECOSYSTEMS FORMATION

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Outlook

OUTLOOK

For Kazakhstan, 2022 was a year full of challenges. First came the January events and the imposition of a state of emergency in the country. Then came the emergence of geopolitical risks in the form of the military conflict in Ukraine and subsequent sanctions by the West on Russian banks. This led to the exit/transformation of the Sberbank and Alfa Bank subsidiaries in Kazakhstan, financial market volatility, high consumer inflation and other negative effects. Each of these events had a significant impact on Kazakhstan's economy and financial sector.

Halyk Bank responded by implementing numerous critical measures, including providing an unprecedented assistance package to support those affected by the January events and strengthening its compliance team to meet the requirements of foreign correspondent banks and international regulations. The Bank responded to each challenge in a timely, well-coordinated manner and, in the face of these events, once again proved its stability, reliability and fundamental strength. In 2022, Halyk Bank remained the leader in Kazakhstan's banking system, retaining a market share of more than 18.7% for all key indicators (as of the year-end): 31.1% for assets, 33.9% for net loans to customers, 32.7% for deposits and current accounts, and 34.7% for net income.

It was also the first year of the new strategic development cycle for Halyk Group and Halyk Bank, covering 2022-24. Naturally, the Group approached the new strategy with different assumptions and market expectations. Nevertheless, the Bank has proven that it is clearly following its mission: "We create a territory of reliability, comfort and trust for our customers and partners." The Group's reliability and resilience remain its key advantage and are the reason why 9.9 million retail active customers and over 300,000 large business and SME active customers trust the Halyk brand.

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

Customer focus

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

In 2022, independent market opinion surveys were conducted on customer loyalty in the banking sector. The number of complaints received through physical and online channels decreased by 17% year-on-year.

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

The Bank has prioritised the development of mobile applications, which are used to deliver services better, more efficiently and faster. This should increase the number of both total customers and active ones (nearly 9.9 million at the end of 2022): those who use the applications daily. The Bank is also focusing on expanding non-cash payments.

Results for 2022:

- Retail banking: Implemented the 'Phygital' model (one focus of which is to move clients online and educate them about Halyk Homebank's products and services). Launched regular campaigns to retain and activate Halyk Homebank customers. In 2022, the MAU share of active customers increased by 8 percentage points year-on-year (from 46.6% to 54.5%).
- Corporate banking: Steps were taken to increase customer activity on Onlinebank. The app functionality was enriched with new digital products and services, and the customer journey was improved. Extensive marketing activity and use of Data Factory to drive customer outreach boosted MAU growth: up 62% year-on-year (from 156,000 users to 254,000).

Ability to scale business solutions

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

Tenge Business, an online business app, was launched in Uzbekistan in 2022, and reached 986 business users by the year-end. The Tenge 24 mobile app for retail customers was launched and reached an MAU of 70,000 by the year-end. Also, a subsidiary of Kazteleport was registered in Uzbekistan in the third quarter of 2022 to provide processing and cloud services.

A flexible, adaptive and innovative approach

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

In 2022, real-time campaigns were launched as part of Data Factory, focusing intensively on developing IT solutions while enhancing system availability and service continuity.

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

- In January 2021, amendments were adopted to the Kazakh Law on Banks and Banking Activities that allow second-tier banks to provide brokerage services not only to corporates but also to retail customers. Halyk was the first second-tier bank to take advantage of this opportunity to provide retail brokerage services. Halyk Invest conducted KazMunayGas' first digital IPO, opening almost 90,000 investment accounts for clients as part of the Halyk Invest ecosystem. The app now has more than 300,000 open accounts.
- A project was launched to provide digital unsecured lending to SME customers registered as limited liability companies. By the end of 2022, almost 1,000 loans had been issued through this initiative.
- The Bank offers a broad range of government services. In 2022, customers accessed e-government services through the Halyk Homebank app more than 10 million times and more than 600,000 e-government certificates were issued.

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Outlook

For 2023, the Bank's key objectives are to digitise its banking business and further promote its ecosystem products:

- Halyk Bank is major partner for most corporates and one of the only full-service banks in Kazakhstan. To provide optimal service, the Bank continually enhances the customer experience and adds new functionality to the Onlinebank mobile app for corporate customers.
- The Halyk Homebank digital private banking solution is also continuously developed and updated with new services.
- Developing the acquiring business continues to be a key vector for the Bank.
- Given the potential of the Uzbek market, the Bank is actively investing resources and developing in this area and plans to launch a Tenge Marketplace in 2023. Halyk Finservice will open a subsidiary in Tashkent to develop an online acquiring business.
- The Bank will also continue to enhance and actively promote lifestyle ecosystem products Kino.kz (entertainment ticketing) and Halyk Travel (air, rail and bus ticketing).
- The Halyk Invest, designed for remote brokerage account opening and remote trading, is expanding its functionality and improving the customer journey.
- The Halyk Marketplace is working to expand the range of products on offer to continue meeting customer needs.
- The Bank is also implementing several other equally important tasks to provide high-quality service to customers and partners.

We are confident that these key initiatives, as well as support from our customers, partners and shareholders, will enable Halyk Group to successfully achieve the goals set for the next strategic period and reaffirm its broad capabilities and strong reputation as the undisputed leader of Kazakhstan's financial system.

HALYK BANK

100 Halyk

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Consolidated Financial Statements and Independent Auditors' Report For the Year Ended 31 December 2022

ECOSYSTEMS FORMATION

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management of JSC Halyk Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Halyk Bank (the "Bank") and its subsidiaries (collectively – the "Group") as at 31 December 2022, the related consolidated statement of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the Management Board on 10 March 2023.

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board
10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant
10 March 2023
Almaty, Kazakhstan

INDEPENDENT AUDITORS’ REPORT

To the Shareholders of JSC Halyk Bank

Opinion

We have audited the consolidated financial statements of JSC Halyk Bank and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

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

Key Audit Matters

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

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Collective assessment of the expected credit losses on loans to customers	
As at 31 December 2022, the Group reported total gross loans of KZT 8,280,290 million, including KZT 3,122,392 million subject to collective impairment assessment, which comprise 38% of total gross loans. The expected credit losses (“ECL”) resulting from this assessment amounted to KZT 193,694 million.	We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL for collective assessment of loans to customers.
	We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements.
Due to the significance and subjectivity of judgements used by management of the Group and the volume of loans assessed on a collective basis, we identified the collective assessment of expected credit losses as a key audit matter. In particular, we focused on the principal assumptions and significant inputs underlying the estimation of ECL and the integrity of the models used in calculations.	We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors.
Refer to Notes 4, 11 and 31 to the consolidated financial statements for the description of the Group’s policy and disclosures of gross carrying amounts and related allowances balances.	With the involvement of our credit risk advisory specialists, we tested the integrity and mathematical accuracy of the ECL credit models used by re-performing selective calculations on relevant source data.
	We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Individual assessment of the expected credit losses on loans to customers	
As at 31 December 2022, the Group's gross loans assessed for impairment on an individual basis amounted to KZT 5,157,898 million, which accounts for 62% of total gross loans. The related ECL comprised KZT 228,694 million.	We obtained an understanding of the loan origination and credit risk management processes. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.
The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group.	For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events, external information and certain financial performance indicators had been identified on a timely manner.
The appropriate identification of significant increase in credit risk or credit impairment event require considerable judgment on the basis of quantitative and qualitative information, which results in focused audit procedures.	
Additionally, the measurement of ECL on individually significant credit-impaired loans is based on the estimation of future cash flows under different scenarios.	On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as estimated future cash flows and the fair value of collateral.
Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter.	
Refer to Notes 4, 11 and 31 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.	We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Other Information – Annual Report

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Deloitte LLP

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

10 March 2023
Almaty, Republic of Kazakhstan

Zhangir Zhilysbayev

Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director,
Deloitte LLP

Consolidated Statement of Financial Position as at 31 December 2022 and 2021

(millions of Kazakhstani Tenge)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	5	2,028,831	1,438,521
Obligatory reserves	6	259,544	194,931
Financial assets at fair value through profit or loss	7	342,168	283,333
Amounts due from credit institutions	8	135,655	602,125
Financial assets at fair value through other comprehensive income	9	2,109,269	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	10	1,019,089	1,288,178
Loans to customers	11, 35	7,857,902	5,872,228
Investment property	12	35,541	28,007
Commercial property	13	76,538	92,412
Assets classified as held for sale	15	23,923	45,412
Current income tax assets	20	1,521	1,942
Deferred tax assets	20	273	250
Property and equipment and intangible assets	14	207,788	183,849
Insurance contract assets	16	53,233	54,111
Other assets		160,097	134,394
TOTAL ASSETS		14,311,372	12,091,370
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	17, 35	10,487,615	8,473,407
Amounts due to credit institutions	18	878,665	1,071,642
Financial liabilities at fair value through profit or loss	7	10,628	2,276
Debt securities issued	19	462,817	499,812
Current income tax liability	20	12,358	11,539
Deferred tax liability	20	52,595	50,469
Provisions	22	13,773	13,193

Consolidated Statement of Financial Position as at 31 December 2022 and 2021
(millions of Kazakhstani Tenge)

	Notes	31 December 2022	31 December 2021
Insurance contract liabilities	16	292,344	240,281
Other liabilities		189,343	155,147
Total liabilities		12,400,138	10,517,766
EQUITY			
Share capital	21	209,027	209,027
Share premium reserve		7,966	9,067
Treasury shares	21	(260,535)	(259,322)
Retained earnings and other reserves		1,954,767	1,614,824
Total equity attributable to owners of the Group		1,911,225	1,573,596
Non-controlling interest		9	8
Total equity		1,911,234	1,573,604
TOTAL LIABILITIES AND EQUITY		14,311,372	12,091,370

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board

10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2023
Almaty, Kazakhstan

The notes on pages 106 to 191 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss for the years ended 31 December 2022 and 2021

(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Interest income calculated using the effective interest method	23, 35	1,220,639	858,243
Other interest income	23	27,005	21,622
Interest expense	23, 35	(577,445)	(366,792)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	23	670,199	513,073
(Credit loss expense)/recovery of credit loss expense	5, 8, 10, 11	(106,778)	4,004
NET INTEREST INCOME		563,421	517,077
Fee and commission income	24	180,066	138,389
Fee and commission expense	24	(96,274)	(71,789)
Fees and commissions, net		83,792	66,600
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	25	(3,634)	15,071
Net realised (loss)/gain from financial assets at fair value through other comprehensive income		(1,274)	1,401
Net foreign exchange gain	26	178,900	30,536
Insurance underwriting income	27	155,760	140,038
Share in profit of associate	35	9,708	6,640
Income on non-banking activities	29	25,554	22,684
Other (expense)/income		(2,166)	2,024
OTHER NON-INTEREST INCOME		362,848	218,394
Operating expenses	28	(202,159)	(171,450)
Loss from impairment of non-financial assets		(1,044)	(6,616)
Reversal of impairment loss of property, plant and equipment		5,103	787
Recovery of other credit loss expense/(other credit loss expense)	22	78	(4,002)
Loss on disposal of subsidiaries	2	(19,242)	-
Insurance claims incurred and insurance agency commissions	27	(133,948)	(96,175)
NON-INTEREST EXPENSES		(351,212)	(277,456)

Consolidated Statement of Profit or Loss for the years ended 31 December 2022 and 2021

(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
INCOME BEFORE INCOME TAX EXPENSE		658,849	524,615
Income tax expense	20	(105,097)	(62,237)
NET PROFIT		553,752	462,378
Attributable to:			
Non-controlling interest		1	1
Common shareholders		553,751	462,377
		553,752	462,378
EARNINGS PER SHARE (in Kazakhstani Tenge)	30		
Basic and diluted earnings per share		50.84	39.57

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board

10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2023
Almaty, Kazakhstan

Consolidated Statement of Other Comprehensive Income for the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2022	Year ended 31 December 2021
Net profit	553,752	462,378
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss:		
Gain resulting on revaluation of property and equipment (2022 and 2021 – net of tax – KZT 4,078 million and KZT 58 million, respectively)	17,693	440
Gain/(loss) on revaluation of equity financial assets at fair value through other comprehensive income	403	(1,938)
Items that may be subsequently reclassified to profit or loss:		
Loss on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (2022 and 2021 – net of tax – KZT nil)	(104,028)	(24,269)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (2022 and 2021 – net of tax – KZT nil)	1,274	(1,401)
Share of other comprehensive loss of associate on revaluation of debt financial assets at fair value through other comprehensive income	(1,477)	(475)
Share of other comprehensive income of associate on revaluation of property and equipment	23	11
Foreign exchange differences on translation of foreign operation	13,136	1,066
Less: gain reclassified to profit or loss on disposal of foreign operation	(6,976)	-
	6,160	1,066
Other comprehensive loss for the year	(79,952)	(26,566)
Total comprehensive income for the year	473,800	435,812
Attributable to:		
Non-controlling interest	1	1
Common shareholders	473,779	435,811
	473,800	435,812

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board

10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2023
Almaty, Kazakhstan

The notes on pages 106 to 191 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2021	209,027	9,067	(259,322)	5,582	25,115	27,521	1,556,606	1,573,596	8	1,573,604
Net income	-	-	-	-	-	-	553,751	553,751	1	553,752
Other comprehensive income/(loss)	-	-	-	6,160	(103,828)	17,716	-	(79,952)	-	(79,952)
Total comprehensive income/(loss)	-	-	-	6,160	(103,828)	17,716	553,751	473,799	1	473,800
Treasury shares purchased (Note 21)	-	(1,101)	(6,044)	-		-		(7,145)	-	(7,145)
Treasury shares sold (Note 21)	-	-	4,831	-	-	-	-	4,831	-	4,831
Dividends – common shares	-	-	-	-	-	-	(138,341)	(138,341)	-	(138,341)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	84	84	-	84
Disposal of subsidiaries	-	-	-	-	64	(272)	4,609	4,401	-	4,401
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(1,657)	1,657	-	-	-
31 December 2022	209,027	7,966	(260,535)	11,742	(78,649)	43,308	1,978,366	1,911,225	9	1,911,234

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

Consolidated Statement of Changes in Equity (continued) for the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2020	209,027	5,741	(111,027)	4,516	53,198	27,802	1,304,004	1,493,261	7	1,493,268
Net income	-	-	-	-	-	-	462,377	462,377	1	462,378
Other comprehensive (loss)/ income	-	-	-	1,066	(28,083)	451	-	(26,566)	-	(26,566)
Total comprehensive income/(loss)	-	-	-	1,066	(28,083)	451	462,377	435,811	1	435,812
Treasury shares purchased (Note 21)	-	(30)	(157,514)	-	-	-	-	(157,544)	-	(157,544)
Treasury shares sold (Note 21)	-	3,356	9,219	-	-	-	-	12,575	-	12,575
Dividends – common shares	-	-	-	-	-	-	(210,783)	(210,783)	-	(210,783)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	276	276	-	276
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(732)	732	-	-	-
31 December 2021	209,027	9,067	(259,322)	5,582	25,115	27,521	1,556,606	1,573,596	8	1,573,604

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

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board

10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2023
Almaty, Kazakhstan

The notes on pages 106 to 191 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	23,627	19,626
Interest received from cash and cash equivalents and amounts due from credit institutions	39,651	18,061
Interest received on financial assets at fair value through other comprehensive income	101,396	65,147
Interest received on debt securities at amortised cost, net of allowance for expected credit losses	100,212	99,170
Interest received from loans to customers	962,950	620,583
Interest paid on amounts due to customers	(463,821)	(290,482)
Interest paid on amounts due to credit institutions	(63,549)	(8,475)
Interest paid on debt securities issued	(38,247)	(40,840)
Fee and commission received	179,994	138,914
Fee and commission paid	(91,836)	(71,714)
Insurance underwriting income received	155,760	140,038
Ceded reinsurance share paid	(4,020)	(1,290)
(Payments)/ receipts from financial derivatives	12,798	10,053
Other income received	23,388	46,592
Operating expenses paid	(178,481)	(152,670)
Insurance claims paid	(70,003)	(62,801)
Cash flows from operating activities before changes in net operating assets	689,819	529,912
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(64,613)	(24,803)
Financial assets at fair value through profit or loss	(55,480)	(32,039)
Amounts due from credit institutions	499,146	128,117
Loans to customers	(1,905,013)	(1,416,498)
Assets classified as held for sale	8,398	13,423

Consolidated Statement of Cash Flows (continued) For the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2022	Year ended 31 December 2021
Insurance contract assets	(4,925)	(10,550)
Other assets	32,229	5,886
Increase/(decrease) in operating liabilities:		
Amounts due to customers	1,893,578	969,775
Amounts due to credit institutions	(267,386)	768,765
Financial liabilities at fair value through profit or loss	8,264	(906)
Insurance contract liabilities	(1,847)	18,541
Other liabilities	34,687	49,778
Net cash inflow from operating activities before income tax	866,857	999,401
Income tax paid	(101,754)	(55,444)
Net cash inflow from operating activities	765,103	943,957

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of subsidiaries	2	(56,371)	-
Purchase and prepayments for property and equipment and intangible assets		(30,547)	(24,665)
Proceeds on sale of property and equipment and intangible assets		9,037	745
Proceeds on sale of investment property		3,672	16,309
Proceeds on sale of commercial property		22,286	29,865
Proceeds from sale of financial assets at fair value through other comprehensive income		368,482	408,519
Purchase of financial assets at fair value through other comprehensive income		(650,761)	(1,002,914)
Proceeds from sale of debt securities at amortised cost, net of allowance for expected credit losses		287,399	5,946
Purchase of debt securities at amortised cost, net of allowance for expected credit losses		(25,640)	(64,326)
Capital expenditures on commercial property		(4,789)	(3,373)

Consolidated Statement of Cash Flows (continued) For the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Net cash outflow from investing activities		(77,232)	(633,894)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		4,831	12,575
Purchase of treasury shares		(7,145)	(157,544)
Dividends paid – common shares		(138,341)	(210,783)
Redemption and repayment of debt securities issued	19	(177,600)	(305,470)
Proceeds from issue of debt securities issued	19	127,886	-
Repayment of lease liabilities		(3,077)	(2,356)
Net cash outflow from financing activities		(193,446)	(663,578)
Effect of changes in foreign exchange rates on cash and cash equivalents		95,885	34,559
Net change in cash and cash equivalents		590,310	(318,956)
CASH AND CASH EQUIVALENTS, beginning of the year	5	1,438,521	1,757,477
CASH AND CASH EQUIVALENTS, end of the year	5	2,028,831	1,438,521

During the years ended 31 December 2022 and 2021, there were non-cash transfers, which were excluded from the consolidated statement of cash flows and were disclosed in Notes 12, 13, 15 and 21.

On behalf of the Management Board:

Murat U. Koshenov
Deputy Chairperson of the Board

10 March 2023
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2023
Almaty, Kazakhstan

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Kyrgyzstan, Georgia and Uzbekistan, leasing services in Kazakhstan, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 3 February 2020. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

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

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

As at 31 December 2022 and 2021 the Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva via JSC HG Almex.

As at 31 December 2022, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 428 cash settlement units (31 December 2021 – 24, 120 and 445, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 December 2022, the number of the Group's employees was 16,325 (31 December 2021 – 17,038).

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue by the Management Board on 10 March 2023.

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Moreover, the state of the economy is significantly influenced by government spending on major infrastructure projects and various programs of the country's socio-economic development.

During the year ended 2022, the average price of Brent crude oil was approximately 99.8 USD/bbl.

(68.63 USD/bbl. during 2021 year). For twelve months of 2022, the economy grew by 3.2%. Inflation in December 2022 was 20.3% in annual term. Prices for food products increased by 25.3%, non-food products increased by 19.4% and paid services increased by 14.1%.

In 2022, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan ("NBRK") decided to set the base rate at 16.75% per annum with an interest corridor of +/- 1.00 p.p. The decision was based on forecasts and analysis of actual data.It was based on external environmental factors in the form of the uncertainty of the geopolitical situation and its consequences, as well as persistently high food prices in the world. On the part of the domestic economy, there are historically maximum inflationary expectations, an imbalance in supply and demand, as well as a restructuring of trade with an accelerated growth in imports.

The impact of anti-Russian sanctions has an insignificant and limited impact on the Group's currency risk, the credit risks on Russian securities and Russian banks are immaterial in relation to the Group's assets. Claims on Russian banks are represented by insignificant amounts of balances on nostro accounts. As at 31 December 2022, the gross exposure in relation to Russian securities and banks amounts to KZT 35,838 million and net exposure is KZT 15,560 million. Due to significant changes in the operating environment caused by the realized geopolitical risks, an extraordinary stress-testing of the Bank's financial stability was carried out. The results of stress testing show some decrease in certain financial indicators (growth in provisions for expected credit losses, decrease in net profit and outflow of customer funds). At the same time, given that the Group has a sufficient amount of equity capital and liquid assets, a significant deterioration in the Group's financial position and violation of regulatory requirements and standards is not expected.

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

Activities performed by the Group to support its clients during COVID-19 pandemic allow to avoid significant impact on the Group's operations and on its clients.

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

(Millions of Kazakhstani Tenge)

Ownership

As at 31 December 2022 and 2021, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 December 2022

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.7%
GDR holders	3,090,660,400	28.4%
Other	209,669,751	1.9%
Total shares in circulation (on consolidated basis)	10,883,868,379	100%

31 December 2021

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	69.6%
GDR holders	3,119,831,600	28.6%
Other	192,635,022	1.8%
Total shares in circulation (on consolidated basis)	10,896,004,850	100%

2. BASIS OF PRESENTATION

Statement of compliance

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

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

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

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

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

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

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

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

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

Functional currency

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

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	31 December 2022	31 December 2021		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	General insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Halyk Global Markets	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	Uzbekistan	Banking
JSC Commercial Bank Moskommertsbank	-	100	Russia	Banking
CJSC Halyk Bank Tajikistan	-	100	Tajikistan	Banking
LLC Halyk Project	-	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ 1	-	100	Kazakhstan	Management of doubtful and loss assets

(Millions of Kazakhstani Tenge)

On 16 May 2022, the Board of Directors of the Bank decided to merge the Bank's subsidiaries Halyk Activ 1 LLP and Halyk Project LLP with the Bank's subsidiary Halyk Activ LLP.

Disposal of subsidiaries

On 16 November 2022, the Bank signed an agreement with CJSC International Bank of Tajikistan on the sale of 100% share capital of CJSC Halyk Bank Tajikistan (the "HBT"). On 1 December 2022, the Bank completed the procedure for the sale of 100% shares of the HBT. The Group recognized a loss in the amount of KZT 462 million as a result of disposal of subsidiary.

On 18 November 2022, in accordance with the terms of contract of sale, the Bank sold 100% share capital of JSC CB Moskommertsbank ("MKB") in the amount of 7,923,455 ordinary shares at par value RUB 450 per share. On 20 December 2022, the Bank completed the sale of 100% shares of the MKB. The Group recognized a loss in the amount of KZT 18,780 million as a result of disposal of subsidiary.

Loss from disposal of subsidiaries represents the difference between the consideration received and the net assets value of subsidiaries in the consolidated financial statements of the Group.

Net cash outflows from disposal of JSC CB Moskommertsbank and CJSC Halyk Bank Tajikistan were as follows:

	Disposal of the MKB	Disposal of the HBT	Total
Cash proceeds on sale of subsidiaries	7,300	2,596	9,896
Less: disposed cash and cash equivalents	(57,991)	(8,276)	(66,267)
Net cash outflow	(50,691)	(5,680)	(56,371)

Loss from disposal of JSC CB Moskommertsbank and CJSC Halyk Bank Tajikistan were as follows:

	Disposal of the MKB	Disposal of the HBT	Total
Proceeds on sale of subsidiaries	7,300	2,596	9,896
Foreign exchange differences, reclassified to profit or loss on disposal of foreign subsidiaries	(5,400)	(1,576)	(6,976)
Less: carrying amount of disposed subsidiaries' net assets	(20,680)	(1,482)	(22,192)
Loss from disposal of subsidiaries	(18,780)	(462)	(19,242)

The management of the Group believes that the disposal of these subsidiaries did not have a significant impact on the consolidated financial statements of the Group, and therefore does not disclose this information as discontinued operations in the consolidated financial statements for the year ended 31 December 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to any non-controlling interests even if this results in any non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Non-controlling interests

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. Transactions with non-controlling shareholders are presented as financing activities in the consolidated statement of cash flows.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 "Income Taxes" ("IAS 12");
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" ("IFRS 2") at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the National Banks of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan, Uzbekistan and the Central Bank of the Russian Federation and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Amounts due from credit institutions

In the normal course of business, the Group maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 "Financial Instruments" ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.
- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.
- Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Group considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 11 for more details.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.

- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10 and 11.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default, which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4 for more details.

For the details of supportable forward-looking information, please refer to Note 31 for more details.

Repurchase and reverse repurchase agreements and securities lending

The Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilised by the Group as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, amounts due customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return securities borrowed is recorded at fair value as a trading liability.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other Commonwealth of Independent States ("CIS"), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 7.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market, credit, and liquidity risks (Note 31).

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back¬stop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of client's facility conditions such as collateral and materiality of exposure.

Purchased or originated credit-impaired ("POCI") financial assets.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

Write off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment, except for any buildings and construction which are carried at revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

	Years
Buildings and construction	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortised over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses, unless they qualify for capitalisation.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognised in the respective year and is included in operating expenses.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not subject to amortisation.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over the following estimated useful lives:

	Years
Customer deposit intangibles	5
Software	10
Licensing agreements for the right to use the software	10
Other	10

Assets held for sale

Non-current assets and the liabilities directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in profit or loss. Any subsequent increase in an asset's fair value less costs to sell is recognised to the extent of the cumulative impairment loss that was previously recognised in profit or loss in relation to that specific asset.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

Commercial property

In certain circumstances, the Group may foreclose commercial properties as part of the settlement of loan agreements with customers. The Group intends to sell these properties in the normal course of business and therefore these are initially measured at fair value including transaction costs and subsequently measured at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the commercial property is expected to be realised for. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Equity

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group, after the deduction of liabilities.

The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity instruments as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognised as share premium reserve. Effective 13 May 2003, upon a change in the law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. Dividends on shares purchased by the Group's subsidiaries are eliminated upon consolidation.

Dividends

Dividends are recognised as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting years, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15").

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognised as services are provided.

Recognition of income and expense

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in 'Net interest income' as 'Interest income calculated using the effective interest method' and 'Interest expense' in the profit or loss account using the effective interest method.

Interest income on financial instruments measured at fair value through profit or loss is included in 'Other interest income' in the consolidated statement of profit or loss.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Group identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Group's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognised in the consolidated statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their statements of profit or loss are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2022 was – KZT 462.65 to USD, KZT 6.43 to RUB, KZT 492.86 to EUR (at 31 December 2021 was – KZT 431.67 to USD, KZT 5.77 to RUB, KZT 487.79 to EUR).

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilises accounting policies determined by NBRK for insurance companies of Kazakhstan.

In accordance with the Kazakhstan regulations, when insurance contracts contain a discretionary participation feature with no guaranteed element, such additional payments to the insured are contingent on a decision reached at the annual general shareholders' meeting and should be presented as an allocation of retained earnings and not as an expense.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Insurance underwriting income

Insurance underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance, reduced by the net change in the unearned premium reserve.

Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within insurance contract liabilities in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of profit or loss as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred, net of reinsurance in the consolidated statement of profit or loss.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalised and recorded in the accompanying consolidated statement of financial position within insurance contract assets. The asset related to deferred acquisition costs is subsequently amortised over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount, it is written down immediately. All other costs are recognised as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in insurance contract liabilities in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting year.

The incurred but not reported reserve ("IBNR") for motor, hull and liability insurance is actuarially determined and is based upon statistical claim data for the year typical for loss development of the classes and sub-classes of business and the Group's previous experience.

Due to the lack of the Group's specific historical data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by NBRK. Under this guidance, the IBNR reserve is calculated in an amount of 5% of the insurance premiums written during the last twelve months preceding the settlement date in this class of insurance.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss in the year in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due, unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance contract assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Income and expenses on non-banking activities

The income and expenses of the non-banking subsidiaries of the Group, the main activity of which is acquisition of distressed investment property and commercial property from the Bank and further management and/or sale of such assets, is recognized in the consolidated statement of profit or loss on a net basis as income and expenses on non-banking activities. Income and expenses on non-banking activities include income / expenses on sale of investment property, commercial property and assets held for sale and income/expenses on other transactions with real estate, which includes operating lease income, registration expenses and income/expenses from sale of accompanying property.

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Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value. Subsequently, they are measured at the higher of (a) the amount recognised as a provision and (b) the amount initially recognised less, where appropriate, cumulative amortisation of initial premium revenue received over the financial guarantee contracts or letters of credit issued.

The Group as a lessor

In cases where the Group is the lessor under a lease, each lease is classified as an operating lease or finance lease. Contracts that transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily the legal title to them, are classified as finance leases. At the start date of the lease, the Group recognizes assets held under finance leases in its consolidated statement of financial position and presents them as receivables in an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease and are deducted from the income recognized over the lease term. Finance income receivable is recognized in interest income over the lease term so as to provide a constant rate of return on the net investment in the lease.

Agreements that do not transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily legal title to them, are classified as operating leases. Assets subject to operating leases continue to be included in the Group's balance sheet in accordance with the category (balance sheet item) to which they were assigned. Operating lease receivables are recognized over the lease term on an accrual basis.

The Group as a lessee

When the Group acts as a lessee, leases are accounted for using the right-of-use model. This model assumes that at the start date of the lease, the lessee has a financial obligation to make the lease payments to the lessor for the right to use the underlying asset over the lease term. The cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments at or before start date of the lease, less incentive payments received for the lease, and incremental lease costs that would not have been incurred if the lease had not been concluded.

Subsequent accounting for the right-of-use asset is carried out at its historical cost:

- less accumulated depreciation and accumulated impairment losses; and
- adjusted for the revaluation of the lease liability.

Depreciation is carried out on a straight-line basis until the expiry date of the lease.

The lease liability is measured on initial recognition at the present value of the lease payments that have not yet been settled at that date. The present value is calculated by discounting the lease payments using the interest rate implicit in the lease or the incremental borrowing rate.

After the commencement date of the lease, the Group measures the lease liability as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- revaluing the carrying amount to reflect revaluation or modification of leases.

The right-of-use model does not apply to short-term leases (no longer than 12 months) that do not contain an option to purchase the underlying asset, or contracts with a low value of the underlying asset (up to USD 5,000). Lease payments for such leases are recognized as an expense over the lease term on an accrual basis.

New and amended IFRS Standards that are effective for the current year.

The following amendments and interpretations are effective for the Group effective January 1, 2022:

Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use;

Annual Improvements to IFRS Standards 2018-2020 (May 2020);

Amendments to IFRS 3 (May 2020) Reference to the Conceptual Framework;

Amendments to IAS 37 (May 2020) Onerous Contracts – Cost of Fulfilling a Contract.

The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17 "Insurance contracts")	1 January 2023
Amendments to IAS 1- Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023

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New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023
Amendment to IFRS 16- Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1- Non-current Liabilities with Covenants	1 January 2024

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except for IFRS 17 Insurance Contracts as described below.

IFRS 17 – Insurance Agreements

IFRS 17 – Insurance Contracts

IFRS 17 "Insurance Contracts", issued on May 18, 2017, subject to changes and additions made on June 25, 2020 and December 9, 2021, establishes the principles of recognition, evaluation, presentation and disclosure of insurance agreements and supersedes IFRS 4 "Insurance Contracts". It will be applied by the Group for periods beginning January 1, 2023. IFRS 17 represents a significant conceptual change from IFRS 4. It aims to better reflect underlying business profitability while improving industry comparability.

IFRS 17 applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation, provided that the insurance company also issues insurance contracts. It requires the following components to be separated from insurance contracts: (i) embedded derivative instruments, if they meet certain established criteria, (ii) distinct investment components and (iii) distinct performance obligations to provide non-insurance goods and services. These components should be accounted for separately according to the relevant standards.

The standard defines the level of aggregation used to be used for measuring the insurance contract liabilities and the related profitability. Moreover, IFRS 17 requires the identification of insurance portfolios, which consist of contracts subject to similar risks and managed together. In order to apply the common insurance contract measurement model, IFRS 17 provides for the aggregation of insurance contract data to the level of the contract group, which is the new unit of account. One group can include only contracts issued with a difference of no more than one year (the so-called annual cohort). Therefore, each contract portfolio (a collection of contracts with the same risk profile managed together) is divided into annual cohorts and further into three main groups:

(1) contracts that are onerous at initial recognition;

(2) contracts which which have no significant possibility of becoming onerous subsequently;

(3) other contracts.

IFRS 17 requires to apply by default the general model (Building Blocks Approach) based on the following composite elements:

- contract cash flows, which include:
  - weighted against the probability of estimating future cash flows;
  - adjustments that reflect the time value of money (i.e. discounting) and financial risks associated with these future cash flows;
  - adjustment of non-financial risk;
- margin for contractual services, called the contractual service margin (CSM).

The Group will measure the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk.

As for the discount rate, the Group expects to take a top-down approach. The base rate is expected to be the projected return on the investment portfolio, adjusted for the credit risk premium implicitly included in the return on assets. This adjustment clears the base rate of additional credit risk rewards. Credit risk can be assessed by a wide range of methods.

Compared to IFRS 4, the introduction of CSM is a major change. The CSM represents the unearned profit for a group of insurance contracts, in other words, the present value of future profits attributable to shareholders. It will recognized in the consolidated statement of profits and losses during the term of the contracts as the Group provides services to policyholders. The CSM cannot be negative on the inception date of the insurance contract; any net negative amount of the fulfilment cash flows at inception will be reflected in the profit or loss immediately.

At the end of each subsequent reporting period, the book value of the insurance group is remeasured and represents the amount:

- liabilities for remaining insurance coverage that combine fulfilment cash flow relating to future services and the CSM on that date; and
- Liabilities for incurred claims, which are estimated to be fulfilment cash flow relating to past services allocated to the group as of that date.

The margin for contractual services is adjusted in each subsequent reporting period to reflect changes in expected future cash flows due to changes in assumptions for non-financial risk (death, morbidity, termination, expenses, future premiums). However, since the margin for contractual services cannot be negative, negative changes in future cash flows that exceed the remaining margin for contractual services are immediately recognized as part of the profit or loss. Interest is also accrued on the margin for contract services at the rates recorded at the inception of the contract (i.e., the discount rate used at the initial recognition to determine the current value of the estimated cash flows).

Moreover, the CSM will be released into the profit or loss based on the coverage units of insurance, reflecting the quantity of the benefits provided and the expected coverage duration for the remaining contracts in the group.

The Group identified an approach to the transition at the group level of insurance contracts, depending on the availability of reasonable and corroborated historical information.

The Group will take a modified retrospective approach. In this approach, CSM is calculated using IFRS 17 permitted amendments, taking into account actual cash flows prior to the transition date.

The Group estimated that most of its issued (re)insurance contracts other than life insurance and reinsurance contracts in effect at the date of transition would be eligible for the application of simplified measurement approach (premium allocation approach, PAA).

It is expected that the impact on equity on the transition date will be due to the compensatory effect of the discounting (positive effect) and the adjustment for non-financial risk for the Group's reserves for losses (negative effect).

Overall, we do not expect a significant capital effect in relation to the non-life insurance business as a result of the transition to IFRS 17. The impact of onerous contract groups is not expected to be material to the Group's consolidated financial statements.

According to IFRS 17, in terms of presentation, the amounts recognized in the consolidated income statement should be broken down into:

- the total of insurance services, including insurance revenue (corresponding to insurance services rendered during the period that will be more comparable to those of other industries) and insurance service expenses (i.e., losses incurred and other insurance costs incurred); and
- Insurance financial income or expenses, expecting that the Group will generally apply the option of splitting insurance financial income or expenses between the profit and loss report and other comprehensive income to limit the volatility of net income.

Under IFRS 17, compared to IFRS 4, insurance results will no longer reflect insurance premiums signed up during the year because they will:

- exclude any investment component that makes up the bulk of life insurance premiums;
- Reflect a portion of premiums earned during the period, i.e. , the disclosure of contract cash flows (expected cash flows for the period and the corresponding release of the risk adjustment), and the release of the margin for contractual services (corresponding to the portion of profits earned during the period).

Other changes from IFRS 4 with respect to the presentation of the consolidated financial statement relate, to:

- Intangibles, which will be reduced as a result of the exclusion of deferred acquisition costs and the value of existing insurance contracts acquired; these assets represent a portion of future profits under IFRS 4, which is potentially embedded in the margin for contractual services under IFRS 17;
- receivables (and accounts payable) related to insurance that will no longer be presented separately from insurance liabilities, resulting in a reduction in the total amount of assets and liabilities.

The assessment of the impact on the Group's consolidated financial statements has not yet been completed. It is not yet possible to quantify it reliably.

4. 4a. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 31 for more details).

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

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

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 31 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated and sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 11 and 31 for more details on allowances for ECL and Note 34 for more details on fair value measurement.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the consolidated financial statements for the year ended 31 December 2021:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 31. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

In 2022, the allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions and available forward-looking information.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2022 is KZT 422,388 million (31 December 2021: KZT 378,032 million).

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 34 for more details on fair value measurement.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

As at 31 December 2022, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

Claims liability and reserves arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. For certain lines of business, IBNR claims form the majority of insurance contract liabilities in the consolidated statement of financial position. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claims settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance, as provided by NBRK, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

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The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the year in which the necessary adjustments become known and estimable.

4b. RECLASSIFICATION

Certain classification have been made to the consolidated statement of profit or loss for the year ended 31 December 2021 to conform to presentation for the year ended 31 December 2022. The reclassification is related to the agency fee expenses for attracting customers of insurance subsidiaries in the amount KZT 5,158 million. Since these expenses are directly related to insurance activities, the Group's management has decided to reclassify them to "commissions to agents" within insurance expenses disclosure.

	As previously reported 31 December 2021	Reclassification amount 31 December 2021	As reclassified 31 December 2021
Insurance claims incurred and insurance agency commissions	(91,017)	(5,158)	(96,175)
Operating expenses	(176,608)	5,158	(171,450)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Cash on hand	274,961	245,615
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	493,639	156,830
Short-term deposits with OECD based banks	46,266	-
Overnight deposits with OECD based banks	92,536	86,360
Correspondent accounts with NBRK	236,507	108,649
Short-term deposits with NBRK	769,907	525,076
Correspondent accounts with Kazakhstan banks	30,874	
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	17,152	217,387
Correspondent accounts with non-OECD based banks	40,199	47,543
Short-term deposits with non-OECD based banks	6,652	41,779
Overnight deposits with non-OECD based banks	20,138	9,282
Total cash and cash equivalents	2,028,831	1,438,521

As at 31 December 2022 and 2021, cash and cash equivalents allowance for expected credit losses comprised KZT 21 million and KZT 42 million, respectively.

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2022 Stage 1	31 December 2021 Stage 1
At the beginning of the year	(42)	(46)
Changes in risk parameters	202	7
Foreign exchange differences and other movements	(181)	(3)
At the end of the year	(21)	(42)

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 December 2022		31 December 2021	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.7%	-	-
Overnight deposits with OECD based banks	-	2.5%	-	0.1%
Short-term deposits with NBRK	15.8%	4.0%-4.5%	8.8%	0.3%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	14.8%-22.0%	-	8.8%-10.8%	0.3%

(Millions of Kazakhstani Tenge)

	31 December 2022		31 December 2021	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with non-OECD based banks	-	11.0%-15.0%	-	5.0%-14.0%
Overnight deposits with non-OECD based banks	-	3.0%-13.0%	-	5.5%-10.5%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 31 December 2022 and 2021 are as follows:

	31 December 2022		31 December 2021	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Corporate bonds	7,815	7,331	-	-
Notes of NBRK	6,216	6,367	10,774	10,774
Treasury bills of the Ministry of Finance of Kazakhstan	1,711	1,623	169,204	168,195
Bonds of JSC Development Bank of Kazakhstan	1,317	1,294	-	-
Equity securities of Kazakhstan corporations	93	93	-	-
Bonds of Kazakhstan corporations	-	-	18,053	18,058
Eurobonds of the Russian Federation	-	-	10,697	10,234
	17,152	16,708	208,728	207,261

As at 31 December 2022 and 2021, maturities of loans under reverse repurchase agreements are less than one month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2022	31 December 2021
Cash and due from banks allocated to obligatory reserves	259,544	194,931
Total obligatory reserves	259,544	194,931

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan, Georgia, and Uzbekistan and used for calculation of the minimum reserve requirements. As at 31 December 2022, obligatory reserves of the Bank's subsidiaries – OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia and JSCB Tenge Bank comprised KZT 24,991 million (31 December 2021 – obligatory reserves of the Bank's subsidiaries OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia, JSC CB Moskommertsbank, JSCB Tenge Bank and CJSC Halyk Bank Tajikistan comprised KZT 17,401 million).

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2022	31 December 2021
Financial assets held for trading:		
Corporate bonds	171,078	142,817
Equity securities of Kazakhstan corporations	44,103	11,080
Bonds of JSC Development Bank of Kazakhstan	37,871	24,311
Eurobonds of foreign states	27,743	5,332
Bonds of foreign financial organizations	18,590	5,070

(Millions of Kazakhstani Tenge)

Derivative financial instruments	11,736	5,633
Treasury bills of the Ministry of Finance of Kazakhstan	11,529	41,576
Bonds of Kazakhstan banks	9,250	22,855
Equity securities of foreign organizations	7,808	10,476
Bonds of foreign organizations	2,460	14,183
Total financial assets and liabilities at fair value through profit or loss	342,168	283,333

Financial liabilities at fair value through profit or loss comprise:

	31 December 2022	31 December 2021
Financial liabilities held for trading:		
Derivative financial instruments	10,628	2,276

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2022	31 December 2021
Corporate bonds	11.4%	10.2%
Bonds of JSC Development Bank of Kazakhstan	12.8%	10.2%
Eurobonds of foreign states	4.7%	4.8%
Bonds of foreign financial organizations	10.7%	8.2%
Treasury bills of the Ministry of Finance of Kazakhstan	7.6%	6.2%
Bonds of Kazakhstan banks	12.2%	10.5%
Bonds of foreign organizations	7.1%	3.9 %

As at 31 December 2022 and 2021, financial assets at fair value through profit or loss included Treasury bills of the Ministry of Finance of Kazakhstan, JSC Development Bank of Kazakhstan, JSC Industrial Development Fund and JSC Kazakhstan Sustainability Fund, at fair value of KZT 18,943 million and KZT 24,719 million, respectively, pledged under repurchase agreements with the other banks (see Note 18). All repurchase agreements as at 31 December 2022 and 2021 mature before 25 January 2023 and 28 January 2022, respectively.

Derivative financial instruments comprise:

	31 December 2022			31 December 2021		
	Fair value			Fair value		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Foreign currency contracts						
Swaps	473,979	10,455	9,288	267,388	5,069	1,660
Spots	34,212	1,281	1,244	26,511	552	578
Forwards	4,627	-	96	12,155	12	38
		11,736	10,628		5,633	2,276

As at 31 December 2022 and 2021, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 December 2022	31 December 2021
Deposit pledged as collateral	53,720	31,029
Loans to credit institutions	47,159	21,022
Term deposits and restricted accounts	35,121	550,272
	136,000	602,323
Less – Allowance for expected credit losses	(345)	(198)
Total amounts due from credit institutions	135,655	602,125

(Millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 December 2022		31 December 2021	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Deposit pledged as collateral	1.5%-4.1%	2046	0.1%-2.5%	2046
Loans to credit institutions	1.8%-8.9%	2023-2027	2.0%-13.0%	2022
Term deposits and restricted accounts	6.0%-18.0%	2023	0.3%-18.0%	2022-2023

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	31 December 2022	31 December 2021
	Stage 1	Stage 1
At the beginning of the year	(198)	(261)
Changes in risk parameters	(138)	59
Foreign exchange differences and other movements	(9)	4
At the end of the year	(345)	(198)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities comprise:

	31 December 2022	31 December 2021
Treasury bills of the Ministry of Finance of Kazakhstan	1,125,065	1,087,639
Eurobonds of foreign states	404,556	114,623
Corporate bonds	236,879	199,402
Bonds of JSC Development Bank of Kazakhstan	133,508	216,932
Bonds of foreign organisations	106,449	143,073
Bonds of foreign financial organizations	69,659	53,771
Bonds of Kazakhstan banks	13,621	13,818
Local municipal bonds	10,578	11,573
Notes of NBRK	-	21,685
	2,100,315	1,862,516

Equity securities comprise:

	31 December 2022	31 December 2021
Equity securities of Kazakhstan corporations	8,954	9,161
	8,954	9,161
Total financial assets at fair value through other comprehensive income	2,109,269	1,871,677

As at 31 December 2022 and 2021, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 6,609 million and KZT 8,990 million, respectively, pledged under repurchase agreements with the other banks (see Note 18). All repurchase agreements as at 31 December 2022 and 2021 mature before 25 January 2023 and 28 January 2022, respectively.

As at 31 December 2022 and 2021, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 1,218 million and KZT 2,677 million, respectively (Note 10).

Interest rates and maturities of financial assets at fair value through other comprehensive income are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2022		31 December 2021	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.8%	2023-2045	4.6%	2022-2045
Eurobonds of foreign states	1.6%	2023-2025	1.0%	2022-2025
Corporate bonds	10.3%	2023-2047	10.1%	2022-2047
Bonds of JSC Development Bank of Kazakhstan	4.9%	2024-2032	5.1%	2022-2032
Bonds of foreign organisations	2.2%	2023-2025	2.3%	2022-2025
Bonds of foreign financial organisations	7.6%	2023-2026	7.8%	2022-2026
Bonds of Kazakhstan banks	11.7%	2023-2026	10.9%	2022-2026
Local municipal bonds	10.8%	2026	10.8%	2026
Notes of NBRK	-	-	9.2%	2022

10. DEBT SECURITIES AT AMORTISED COST, NET OF ALLOWANCE FOR EXPECTED CREDIT LOSSES

Debt securities at amortised cost, net of allowances for expected credit losses comprise:

	31 December 2022	31 December 2021
Treasury bills of the Ministry of Finance of Kazakhstan	783,595	1,045,031
Corporate bonds	191,141	178,538
Treasury bills of Uzbekistan	25,234	
Bonds of foreign organizations	8,221	56,793
Treasury bills of the Kyrgyz Republic	3,494	3,849
Notes of National Bank of Georgia	3,002	2,436
Notes of National Bank of the Kyrgyz Republic	2,689	-
Bonds of Kazakhstan banks	1,713	1,531
Total debt securities at amortised cost, net of allowance for expected credit losses	1,019,089	1,288,178

On 3 July 2022, the debt securities at amortized cost, net of allowances for expected credit losses of the Ministry of Finance of the Republic of Kazakhstan with a coupon rate of 9.5% and a maturity of 5 years in the amount of KZT 250 billion were fully redeemed.

As at 31 December 2022 and 2021, the allowance for expected credit losses on debt securities at amortised cost comprised KZT 350 million and KZT 545 million, respectively.

As at 31 December 2022 and 2021, debt securities at amortised cost, net of allowances for expected credit losses included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of

KZT 505,588 million and KZT 853,203 million, respectively, pledged under repurchase agreements with the other banks (see Note 18). All repurchase agreements as at 31 December 2022 and 2021 mature before 25 January 2023 and 28 January 2022, respectively.

Interest rates and maturities of debt securities at amortised cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

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	31 December 2022		31 December 2021	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.2%	2023-2027	9.2%	2022-2027
Corporate bonds	3.3%	2024	3.2%	2024
Treasury bills of Uzbekistan	16.7%	2023	-	-
Bonds of foreign organizations	2.5%	2025	4.1%	2025
Treasury bills of the Kyrgyz Republic	10.0%	2023-2024	8.0%	2022-2024
Notes of National Bank of Georgia	9.6%	2024-2028	8.8%	2024-2028
Notes of National Bank of Kyrgyz Republic	12.8%	2023	-	-
Bonds of Kazakhstan banks	4.1%	2023	4.1%	2023

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The movements in accumulated allowances for expected credit losses of debt securities at amortised cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	31 December 2022						31 December 2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 3	Total
At the beginning of the year	(1,628)	-	(1,594)	(3,222)	(1,262)	(1,022)	(2,284)
Transfer to Stage 1	(437)	437	-	-	-	-	-
Transfer to Stage 2	440	(440)	-	-	-	-	-
Changes in risk parameters*	207	(134)	177	250	251	1,247	1,498
New originations or purchases of financial assets*	(208)	-	-	(208)	(678)	-	(678)
Derecognition of financial assets*	205	-	-	205	35	-	35
Disposal of subsidiaries	1	137	-	138			
Recoveries of allowances on previously written-off assets	-	-	-	-	-	(1,919)	(1,919)
Write-offs	23	-	1,246	1,269	-	102	102
Foreign exchange differences and other movements	(1)	-	1	-	26	(2)	24
At the end of the year	(1,398)	-	(170)	(1,568)	(1,628)	(1,594)	(3,222)

* FS line "(Credit loss expense)/ Recovery of credit loss expense" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

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11. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2022	31 December 2021
Purchased and originated loans to customers	8,259,709	6,236,850
Overdrafts	20,581	13,410
	8,280,290	6,250,260
Stage 1	7,549,514	5,469,752
Stage 2	106,694	245,157
Stage 3	586,787	502,058
Purchased or originated credit-impaired assets ("POCI")	37,295	33,293
Total	8,280,290	6,250,260
Less – Allowance for expected credit losses	(422,388)	(378,032)
Loans to customers	7,857,902	5,872,228

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2022, average interest rate on loans was 14.2% (for the year ended 31 December 2021 –12.6%).

As at 31 December 2022, the Group's loan concentration to the ten largest borrowers was KZT 1,549,351 million, which comprised 19% of the Group's total gross loan portfolio (as at 31 December 2021 – KZT 1,192,775 million, 19%) and 81% of the Group's total equity (as at 31 December 2021 – 76%). As at 31 December 2022, the allowance for expected credit losses created against these loans was KZT 23,725 million (as at 31 December 2021 – KZT 5,026 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2022	31 December 2021
Loans collateralised by pledge of real estate or rights thereon	2,085,862	1,643,667
Consumer loans issued within the framework of payroll projects*	1,456,127	1,091,952
Loans collateralised by mixed types of collateral	1,128,130	698,877
Loans collateralised by guarantees	894,676	1,228,357
Loans collateralised by cash	406,136	335,919
Loans collateralised by pledge of equipment	357,587	101,313
Loans collateralised by pledge of corporate shares	344,630	148,009
Loans collateralised by pledge of vehicles	337,480	210,002
Loans collateralised by pledge of inventories	218,538	67,379
Loans collateralised by pledge of agricultural products	183	276
Unsecured loans	1,050,941	724,509
	8,280,290	6,250,260
Less – Allowance for expected credit losses	(422,388)	(378,032)
Loans to customers	7,857,902	5,872,228

*These loans are collateralised by cash to be received in the future from the employees of companies within the framework of salary projects.

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The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, equipment, guarantees of legal entities with external rating not lower than 'B';
- For retail lending, mortgages over residential properties, motor vehicles.

The Group obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The primary purpose of collateral is to reduce the potential credit loss in case of default. Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit losses.

Loans are granted to the following sectors:

	31 December 2022	%	31 December 2022	%
Retail loans:				
- consumer loans	2,148,440	26%	1,625,469	26%
- mortgage loans	388,416	5%	286,712	5%
	2,536,856		1,912,181	
Services	796,329	10%	747,595	12%
Wholesale trade	649,849	8%	437,116	7%
Retail trade	528,459	6%	343,291	5%
Oil and gas	401,939	5%	332,966	5%
Financial services	356,178	4%	248,777	4%
Real estate	337,180	4%	306,401	5%
Transportation	330,642	4%	155,590	2%
Chemical industry	327,215	4%	297,820	5%
Energy	320,085	4%	301,949	5%
Food industry	304,746	4%	176,100	3%
Construction	287,046	3%	220,524	4%
Agriculture	268,233	3%	200,405	3%
Machinery	221,028	3%	113,060	2%
Metallurgy	184,312	2%	95,767	2%
Mining	145,260	2%	118,584	2%
Communication	92,976	1%	76,359	1%
Light industry	53,278	1%	37,896	0%
Hotel industry	51,216	0%	58,591	1%
Other	87,463	1%	69,288	1%
	8,280,290	100%	6,250,260	100%

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur. No material modification gain/(loss) of loans to customers was recognized in 2022 and 2021.

As at 31 December 2022, accrued interest on loans comprised KZT 178,222 million (31 December 2021 – KZT 173,466 million).

During the years ended 31 December 2022 and 2021, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2022 and 2021, such assets of KZT 4,032 million and KZT 14,524 million, respectively, are included in assets classified as held for sale.

As at 31 December 2022 and 2021, loans to customers included loans of KZT 273,204 million and KZT 329,185 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due.

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The following is a reconciliation of the gross carrying amounts at the beginning and end of year:

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	5,469,752	245,157	502,058	33,293	6,250,260
Transfer to Stage 1	119,859	(79,334)	(40,525)	-	-
Transfer to Stage 2	(168,158)	178,398	(10,240)	-	-
Transfer to Stage 3	(280,560)	(127,720)	408,280	-	-
New originations or purchases of financial assets	6,473,557	-	-	14,180	6,487,737
Assets derecognised or repaid	(2,712,559)	(65,294)	(152,482)	(1,963)	(2,932,298)
Write-offs	-	-	(42,021)	(725)	(42,746)
Changes in the gross value of financial assets*	(1,300,954)	(29,038)	(53,669)	(7,490)	(1,391,151)
Disposal of subsidiaries	(51,423)	(15,475)	(24,614)	-	(91,512)
At the end of the year	7,549,514	106,694	586,787	37,295	8,280,290

31 December 2022

Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	2,834,605	197,214	234,273	26,974	3,293,066
Transfer to Stage 1	75,274	(55,939)	(19,335)	-	-
Transfer to Stage 2	(82,793)	84,594	(1,801)	-	-
Transfer to Stage 3	(152,224)	(75,562)	227,786	-	-
New originations or purchases of financial assets	3,433,144	-	-	4,079	3,437,223
Assets derecognised or repaid	(1,742,842)	(45,998)	(70,675)	(606)	(1,860,121)
Write-offs	-	-	(777)	-	(777)
Changes in the gross value of financial assets*	(317,595)	(25,470)	(64,055)	(2,478)	(409,598)
Disposal of subsidiaries	(1,004)	(6,551)	(2,758)	-	(10,313)
At the end of the year	4,046,565	72,288	302,658	27,969	4,449,480

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31 December 2022

Retail Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	1,758,678	11,633	141,870	-	1,912,181
Transfer to Stage 1	26,033	(14,718)	(11,315)	-	-
Transfer to Stage 2	(43,093)	46,965	(3,872)	-	-
Transfer to Stage 3	(77,583)	(25,457)	103,040	-	-
New originations or purchases of financial assets	1,700,680	-	-	5,450	1,706,130
Assets derecognised or repaid	(447,297)	(2,221)	(48,284)	-	(497,802)
Write-offs	-	-	(25,065)	-	(25,065)
Changes in the gross value of financial assets*	(532,855)	2,805	17,998	(2,198)	(514,250)
Disposal of subsidiaries	(29,871)	(3,754)	(10,713)	-	(44,338)
At the end of the year	2,354,692	15,253	163,659	3,252	2,536,856

31 December 2022

SME Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	876,469	36,310	125,915	6,319	1,045,013
Transfer to Stage 1	18,552	(8,677)	(9,875)	-	-
Transfer to Stage 2	(42,272)	46,839	(4,567)	-	-
Transfer to Stage 3	(50,753)	(26,701)	77,454	-	-
New originations or purchases of financial assets	1,339,733	-	-	4,651	1,344,384
Assets derecognised or repaid	(522,420)	(17,075)	(33,523)	(1,357)	(574,375)
Write-offs	-	-	(16,179)	(725)	(16,904)
Changes in the gross value of financial assets*	(450,504)	(6,373)	(7,612)	(2,814)	(467,303)
Disposal of subsidiaries	(20,548)	(5,170)	(11,143)	-	(36,861)
At the end of the year	1,148,257	19,153	120,470	6,074	1,293,954

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31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	4,015,322	216,589	533,519	58,886	4,824,316
Transfer to Stage 1	52,159	(34,259)	(17,900)	-	-
Transfer to Stage 2	(222,992)	226,763	(3,771)	-	-
Transfer to Stage 3	(197,116)	(43,505)	240,621	-	-
New originations or purchases of financial assets	5,374,798	-	-	5,813	5,380,611
Assets derecognised or repaid	(2,409,050)	(29,687)	(92,650)	(17,659)	(2,549,046)
Write-offs	-	-	(51,879)	(4,172)	(56,051)
Changes in the gross value of financial assets*	(1,143,369)	(90,744)	(105,882)	(9,575)	(1,349,570)
At the end of the year	5,469,752	245,157	502,058	33,293	6,250,260

31 December 2021

Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	2,199,629	176,581	258,682	49,598	2,684,490
Transfer to Stage 1	14,050	(14,050)	-	-	-
Transfer to Stage 2	(153,157)	153,532	(375)	-	-
Transfer to Stage 3	(114,458)	(16,861)	131,319	-	-
New originations or purchases of financial assets	2,983,348	-	-	5,689	2,989,037
Assets derecognised or repaid	(1,567,558)	(17,647)	(38,622)	(17,659)	(1,641,486)
Write-offs	-	-	(16,628)	(3,796)	(20,424)
Changes in the gross value of financial assets*	(527,249)	(84,341)	(100,103)	(6,858)	(718,551)
At the end of the year	2,834,605	197,214	234,273	26,974	3,293,066

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31 December 2021

Retail Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	1,161,588	14,660	159,301	-	1,335,549
Transfer to Stage 1	20,792	(11,540)	(9,252)	-	-
Transfer to Stage 2	(24,169)	26,156	(1,987)	-	-
Transfer to Stage 3	(38,189)	(12,430)	50,619	-	-
New originations or purchases of financial assets	1,385,199	-	-	-	1,385,199
Assets derecognised or repaid	(393,661	(3,925)	(40,081)	-	(437,667)
Write-offs	-	-	(21,878)	-	(21,878))
Changes in the gross value of financial assets*	(352,882)	(1,288)	5,148	-	(349,022))
At the end of the year	1,758,678	11,633	141,870	-	1,912,181

31 December 2021

SME Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	654,105	25,348	115,536	9,288	804,277
Transfer to Stage 1	17,317	(8,669)	(8,648)	-	-
Transfer to Stage 2	(45,666)	47,075	(1,409)	-	-
Transfer to Stage 3	(44,469)	(14,214)	58,683	-	-
New originations or purchases of financial assets	1,006,251	-	-	124	1,006,375
Assets derecognised or repaid	(447,831)	(8,115)	(13,947)	-	(469,893)
Write-offs	-	-	(13,373)	(376)	(13,749)
Changes in the gross value of financial assets*	(263,238)	(5,115)	(10,927)	(2,717)	(281,997)
At the end of the year	876,469	36,310	125,915	6,319	1,045,013

* Changes in the gross value of financial assets includes changes in gross carrying amount associated with partial repayment of debt, accrual of interest income and foreign exchange differences.

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The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(69,846)	(48,369)	(240,242)	(19,575)	(378,032)
Transfer to Stage 1	(12,769)	4,042	8,727	-	-
Transfer to Stage 2	3,522	(5,226)	1,704	-	-
Transfer to Stage 3	4,657	33,185	(37,842)	-	-
Changes in risk parameters*	13,156	(19,588)	(87,678)	275	(93,835)
New originations or purchases of financial assets*	(79,156)	-	-	-	(79,156)
Derecognition of financial assets*/**	26,340	16,001	39,426	2,327	84,094
Recoveries of allowances on previously written-off assets	-	-	(12,006)	(3,109)	(15,115)
Write-offs	-	-	42,021	725	42,746
Disposal of subsidiaries	3,037	2,584	18,264	-	23,885
Foreign exchange differences and other movements	(2,606)	(396)	(2,214)	(1,759)	(6,975)
At the end of the year	(113,665)	(17,767)	(269,840)	(21,116)	(422,388)

31 December 2022

Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(5,786)	(42,199)	(127,195)	(16,698)	(191,878)
Transfer to Stage 1	(2,512)	569	1,943	-	-
Transfer to Stage 2	407	(424)	17	-	-
Transfer to Stage 3	614	24,925	(25,539)	-	-
Changes in risk parameters*	(8,519)	(10,144)	(12,374)	540	(30,497)
New originations or purchases of financial assets*	(16,079)	-	-	-	(16,079)
Derecognition of financial assets*/**	6,904	13,889	27,954	1,064	49,811
Recoveries of allowances on previously written-off assets	-	-	(5,896)	(2,507)	(8,403)
Write-offs	-	-	777	-	777
Disposal of subsidiaries	111	554	3,101	-	3,766
Foreign exchange differences and other movements	(1,968)	(447)	(1,454)	(1,679)	(5,548)
At the end of the year	(26,828)	(13,277)	(138,666)	(19,280)	(198,051)

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31 December 2022

Retail Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(54,991)	(4,332)	(61,020)	-	(120,343)
Transfer to Stage 1	(8,807)	2,715	6,092	-	-
Transfer to Stage 2	2,836	(4,320)	1,484	-	-
Transfer to Stage 3	6,510	5,664	(12,174)	-	-
Changes in risk parameters*	15,736	(3,846	(59,047)	(125)	(47,282)
New originations or purchases of financial assets*	(50,125)	-	-	-	(50,125)
Derecognition of financial assets*/**	14,323	322	7,029	-	21,674
Recoveries of allowances on previously written-off assets	-	-	(5,002)	-	(5,002)
Write-offs	-	-	25,065	-	25,065
Disposal of subsidiaries	380	707	4,069	-	5,156
Foreign exchange differences and other movements	(226)	(18)	(415)	-	(659)
At the end of the year	(74,364)	(3,108)	(93,919)	(125)	(171,516)

31 December 2022

SME Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(9,069)	(1,838)	(52,027)	(2,877)	(65,811)
Transfer to Stage 1	(1,450)	758	692	-	-
Transfer to Stage 2	279	(482)	203	-	-
Transfer to Stage 3	(2,467)	2,596	(129)	-	-
Changes in risk parameters*	5,939	(5,598)	(16,257)	(140)	(16,056)
New originations or purchases of financial assets*	(12,952)	-	-	-	(12,952)
Derecognition of financial assets*/**	5,113	1,790	4,443	1,263	12,609
Recoveries of allowances on previously written-off assets	-	-	(1,108)	(602)	(1,710)
Write-offs	-	-	16,179	725	16,904
Disposal of subsidiaries	2,546	1,323	11,094	-	14,963
Foreign exchange differences and other movements	(412)	69	(345)	(80)	(768)
At the end of the year	(12,473)	(1,382)	(37,255)	(1,711)	(52,821)

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31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(55,473)	(37,479)	(266,657)	(18,432)	(378,041)
Transfer to Stage 1	(8,709)	2,661	6,048	-	-
Transfer to Stage 2	4,147	(5,229)	1,082	-	-
Transfer to Stage 3	16,401	5,057	(21,458)	-	-
Changes in risk parameters*	46,994	(15,597)	(39,970)	(7,326)	(15,899)
New originations or purchases of financial assets*	(98,916)	-	-	(278)	(99,194)
Derecognition of financial assets*/**	25,991	2,409	55,909	19,998	104,307
Recoveries of allowances on previously written-off assets	-	-	(25,430)	(16,611)	(42,041)
Write-offs	-	-	51,878	4,173	56,051
Foreign exchange differences and other movements	(281)	(191)	(1,644)	(1,099)	(3,215)
At the end of the year	(69,846)	(48,369)	(240,242)	(19,575)	(378,032)

31 December 2021

Corporate Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(10,803))	(35,057))	(168,609))	(17,429))	(231,898)(231,898)
Transfer to Stage 1	(150)	106	44	-	-
Transfer to Stage 2	1,795	(1,795)	-	-	-
Transfer to Stage 3	11,257	1,538	(12,795)	-	-
Changes in risk parameters*	25,563	(8,853)	(3,444)	(6,214)	7,052
New originations or purchases of financial assets*	(44,026)	-	-	(278)	(44,304)
Derecognition of financial assets*/**	10,787	1,964	43,513	19,383	75,647
Recoveries of allowances on previously written-off assets	-	-	(1,439)	(14,858)	(16,297)
Write-offs	-	-	16,628	3,796	20,424
Foreign exchange differences and other movements	(209)	(102)	(1,093)	(1,098)	(2,502)
At the end of the year	(5,786)	(42,199)	(127,195)	(16,698)	(191,878)

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Retail Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(37,467)	(1,133)	(59,559)	-	(98,159)
Transfer to Stage 1	(6,330)	2,226	4,104	-	-
Transfer to Stage 2	1,591	(2,483)	892	-	-
Transfer to Stage 3	2,652	2,796	(5,448)	-	-
Changes in risk parameters*	15,520	(5,820)	(22,698)	-	(12,998)
New originations or purchases of financial assets*	(43,231)	-	-	-	(43,231)
Derecognition of financial assets*/**	12,346	171	8,135	-	20,652
Recoveries of allowances on previously written-off assets	-	-	(7,804)	-	(7,804)
Write-offs	-	-	21,878	-	21,878
Foreign exchange differences and other movements	(72)	(89)	(520)	-	(681)
At the end of the year	(54,991)	(4,332)	(61,020)	-	(120,343)

31 December 2021

SME Business	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(7,203)	(1,289)	(38,489)	(1,003)	(47,984)
Transfer to Stage 1	(2,229)	329	1,900	-	-
Transfer to Stage 2	761	(951)	190	-	-
Transfer to Stage 3	2,492	723	(3,215)	-	-
Changes in risk parameters*	5,911	(924)	(13,828)	(1,112)	(9,953)
New originations or purchases of financial assets*	(11,659)	-	-	-	(11,659)
Derecognition of financial assets*/**	2,858	274	4,261	615	8,008
Recoveries of allowances on previously written-off assets	-	-	(16,187)	(1,753)	(17,940)
Write-offs	-	-	13,372	377	13,749
Foreign exchange differences and other movements	-	-	(31)	(1)	(32)
At the end of the year	(9,069)	(1,838)	(52,027)	(2,877)	(65,811)

* FS line "(Credit loss expense)/ Recovery of credit loss expense" in the consolidated statement of profit or loss is comprised from "Changes in risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

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During the years ended 31 December 2022 and 2021, the Group has written off loans of KZT 42,746 million and KZT 56,051 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

Allowance for expected credit losses and provisions

For the year ended 31 December 2022, credit loss expense on loans to customers comprised KZT 88,897 million (2021 year: credit loss expense on loans to customers comprised KZT 10,786 million). The increase in expected credit loss expense during 2022 is due to an increase in the retail portfolio and the impact of the macro parameters used.

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the risk management function.

The Bank and its subsidiaries are using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers' credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

The following classifications are used by the rating model:

- Rating score 1 – superior loan rating, minimal credit risk;
- Rating score 2 – very high quality of loan, very low credit risk;
- Rating score 3 – high quality of loan, low credit risk;
- Rating score 4 – satisfactory quality of loan, insignificant risk;
- Rating score 5 – credit risk can increase at economic variation;
- Rating score 6 – high risk at economic variation;
- Rating score 7 – high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 – 10 – very high risk of default/default.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

					31 December 2022
Rating score	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	1,779,631	-	-	-	1,779,631
5	1,914,670	28,800	28,756	9,787	1,982,013
6	323,860	43,457	128,925	6,769	503,011
7	-	2,622	52,432	334	55,388
8-10	-	-	101,516	11,079	112,595
Loans to corporate customers that are individually assessed for impairment	4,018,161	74,879	311,629	27,969	4,432,638
Loans to SME customers and retail business that are individually assessed for impairment	640,447	12,185	65,361	7,267	725,260
Loans to customers that are collectively assessed for impairment	2,890,906	19,630	209,797	2,059	3,122,392
	7,549,514	106,694	586,787	37,295	8,280,290
Less – Allowance for expected credit losses	(113,665)	(17,767)	(269,840)	(21,116)	(422,388)
Loans to customers	7,435,849	88,927	316,947	16,179	7,857,902

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
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Rating score	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
					31 December 2021
1-3	-	-	-	-	-
4	1,424,408	-	-	-	1,424,408
5	1,250,546	60,846	30,336	13,794	1,355,522
6	182,705	113,415	76,782	2,867	375,769
7	-	23,275	65,719	-	88,994
8-10	-	-	73,519	10,313	83,832
Loans to corporate customers that are individually assessed for impairment	2,857,659	197,536	246,356	26,974	3,328,525
Loans to SME customers and retail business that are individually assessed for impairment	490,501	29,581	74,024	5,678	599,784
Loans to customers that are collectively assessed for impairment	2,121,592	18,040	181,678	641	2,321,951
	5,469,752	245,157	502,058	33,293	6,250,260
Less – Allowance for expected credit losses	(69,846)	(48,369)	(240,242)	(19,575)	(378,032)
Loans to customers	5,399,906	196,788	261,816	13,718	5,872,228

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2022 and 2021 is as follows:

As at 31 December 2022	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	2,332,737	(81,822)	2,250,915
Overdue:			
up to 30 days	59,894	(9,656)	50,238
31 to 60 days	15,049	(3,700)	11,349
61 to 90 days	10,599	(3,094)	7,505
91 to 180 days	21,264	(15,956)	5,308
over 180 days	73,880	(53,657)	20,223
Loans to retail business that are collectively and individually assessed for impairment	2,513,423	(167,885)	2,345,538
Loans to SME customers			
Not past due	1,198,007	(22,547)	1,175,460
Overdue:			
up to 30 days	21,747	(1,248)	20,499
31 to 60 days	13,202	(3,682)	9,520
61 to 90 days	9,603	(4,078)	5,525
91 to 180 days	5,661	(2,535)	3,126
over 180 days	45,734	(18,731)	27,003
Loans to SME customers that are collectively and individually assessed for impairment	1,293,954	(52,821)	1,241,133
Loans to SME customers and retail business that are collectively and individually assessed for impairment	3,807,377	(220,706)	3,586,671
Loans to corporate customers that are collectively and individually assessed for impairment	4,449,480	(198,051)	4,251,429
Loans related to card transactions	23,433	(3,631)	19,802
Loans to customers	8,280,290	(422,388)	7,857,902

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As at 31 December 2021	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	1,758,902	(53,167)	1,705,735
Overdue:			
up to 30 days	37,989	(5,895)	32,094
31 to 60 days	9,579	(2,426)	7,153
61 to 90 days	6,224	(2,103)	4,121
91 to 180 days	11,993	(8,404)	3,589
over 180 days	70,290	(45,540)	24,750
Loans to retail business that are collectively and individually assessed for impairment	1,894,977	(117,535)	1,777,442
Loans to SME customers			
Not past due	961,269	(24,336)	936,933
Overdue:			
up to 30 days	11,450	(2,334)	9,116
31 to 60 days	4,630	(1,922)	2,708
61 to 90 days	2,164	(882)	1,282
91 to 180 days	11,644	(7,523)	4,121
over 180 days	53,856	(28,814)	25,042
Loans to SME customers that are collectively and individually assessed for impairment	1,045,013	(65,811)	979,202
Loans to SME customers and retail business that are collectively and individually assessed for impairment	2,939,990	(183,346)	2,756,644
Loans to corporate customers that are collectively and individually assessed for impairment	3,293,066	(191,878)	3,101,188
Loans related to card transactions	17,204	(2,808)	14,396
Loans to customers	6,250,260	(378,032)	5,872,228

12. INVESTMENT PROPERTY

	2022	2021
As at 1 January	28,007	39,441
Additions	3,792	657
Disposals	(8,565)	(17,314)
Transferred from commercial property	3,998	3,880
Transferred from property and equipment	2,766	481
Gain on revaluation of investment property	5,410	669
Translation differences	133	193
As at 31 December	35,541	28,007

During the years ended 31 December 2022 and 2021, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received investment property of KZT 3,792 million and KZT 657 million, respectively.

As at 31 December 2022 and 2021, there was no investment property that was pledged as collateral for liabilities.

Investment property rental income is included in other income in the consolidated statement of profit or loss. For the years ended 31 December 2022 and 2021, investment property rental income earned was KZT 2,790 million and KZT 1,816 million, respectively.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2022 and 2021 were KZT 2,107 million and KZT 1,178 million, respectively.

Investment property owned by the Group was revalued by independent appraisers as at 31 December 2022 and 2021. The fair value of the investment property was estimated based on the income approach and the comparative approach. When estimating the fair value of the properties, their current use is considered the best use and the most effective. There has been no change to the valuation technique during the year. This revaluation resulted in recognition of a revaluation gain in the consolidated statement of profit or loss for the years ended 31 December 2022 and 31 December 2021 – KZT 5,410 million and KZT 669 million, respectively.

As at 31 December 2022 and 2021, the fair value measurements of the Group's investment property of KZT 35,541 million and KZT 28,007 million, respectively, are categorised into Level 3 (description of measurement hierarchy is disclosed in Note 34).

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13. COMMERCIAL PROPERTY

	2022	2021
As at 1 January	92,412	103,098
Additions	22,631	29,977
Sale of property	(39,296)	(40,156)
Capitalised expenses	4,789	3,373
Transferred to investment property	(3,998)	(3,880)
As at 31 December	76,538	92,412

During the years ended 31 December 2022 and 2021, the Group foreclosed collateral it held as a security for loans to customers. As a result, the Group received commercial property of KZT 22,631 million and KZT 29,977 million, respectively.

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14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2021	120,179	5,022	46,633	5,656	25,390	10,147	30,508	243,535
Additions	462	298	9,823	4,166	6,409	3,098	4,759	29,015
Disposals	(5,704)	(339)	(4,431)	(11)	(2,682)	(4,320)	(4,226)	(21,713)
Revaluation	20,455	-	-	304	-	-	-	20,759
Reclassification to assets classified as held for sale	(41)	-	(39)	(657)	(98)	-	-	(835)
Transferred to investment property	(2,766)	-	-	-	-	-	-	(2,766)
Transfers	2,445	-	2,739	(5,447)	265	-	(2)	-
Translation differences	1,348	61	567	125	510	233	991	3,835
31 December 2022	136,378	5,042	55,292	4,136	29,794	9,158	32,030	271,830
Accumulated depreciation:								
31 December 2021	3,255	2,363	21,608	-	11,805	3,694	16,961	59,686
Charge	1,938	609	6,705	-	2,747	2,472	2,803	17,274
Disposals	(539)	(223)	(3,641)	-	(1,495)	(2,080)	(2,456)	(10,434)
Write-off at revaluation	(3,764)	-	-	-	-	-	-	(3,764)
Transfers	(31)	-	(70)	-	101	-	-	-
Translation differences	98	25	277	-	232	241	407	1,280
31 December 2022	957	2,774	24,879	-	13,390	4,327	17,715	64,042
Net book value:								
31 December 2022	135,421	2,268	30,413	4,136	16,404	4,831	14,315	207,788

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	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost: 31 December 2020	114,381	4,421	41,012	1,774	24,153	8,459	27,299	221,499
Additions	1,041	676	8,685	7,750	4,393	2,604	3,748	28,897
Disposals	(175)	(83)	(3,432)	(1)	(1,681)	(1,114)	(688)	(7,174)
Reclassification to assets classified as held for sale	-	-	-	-	(7)	-		
Transferred to investment property	(481)	-	-	-	-	-	-	(481)
Transfers	5,323	-	284	(3,867)	(1,541)	(199)	-	-
Translation differences	90	8	84	-	73	397	149	801
31 December 2021	120,179	5,022	46,633	5,656	25,390	10,147	30,508	243,535
Accumulated depreciation: 31 December 2020	468	1,844	19,343	-	11,579	2,593	15,091	50,918
Charge	1,870	580	5,524	-	2,364	2,081	2,490	14,909
Disposals	(75)	(66)	(3,292)	-	(1,204)	(933)	(678)	(6,248)
Transfers	982	-	(7)	-	(972)	(3)	-	-
Translation differences	10	5	40	-	38	(44)	58	107
31 December 2021	3,255	2,363	21,608	-	11,805	3,694	16,961	59,686
Net book value: 31 December 2021	116,924	2,659	25,025	5,656	13,585	6,453	13,547	183,849

The Group's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of significant changes in specific market or property indicators, the Group may opt to perform revaluations more regularly. In 2022, the management of the Group has not identified such significant changes in the commercial property market for similar buildings that Group owns and no revaluation has been performed accordingly.

The Group had its buildings and properties revalued during 2022 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment – the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2022, the fair value measurements of the Group's buildings and construction, are categorised into Level 2 and Level 3, in the amount of KZT 135,421 million and KZT nil million, respectively (31 December 2021 KZT 109,869 million and KZT 7,055 million, respectively). A description of the measurement hierarchy is disclosed in Note 34.

As at 31 December 2022, the total fair value of buildings and construction was KZT 135,421 million (31 December 2021: KZT 116,924 million).

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As at 31 December 2022, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 117,705 million (31 December 2020: KZT 113,202 million).

15. ASSETS CLASSIFIED AS HELD FOR SALE

After the default of some counterparties on loans to customers, the Group recognised the property pledged as collateral for those loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Group's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2022	31 December 2021
Real estate	12,619	27,840
Land plots	11,257	16,840
Movable property	47	732
Total assets classified as held for sale	23,923	45,412

In November 2022, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 1,044 million, included to the "Loss from impairment of non-financial assets" in the consolidated statement of profit or loss.

Despite the Group actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2022 and 2021.

The fair value of the Group's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost-based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's assets held for sale and information about the fair value hierarchy as at 31 December 2022 and 2021 are as follows:

	Level 2	Level 3	Total
31 December 2022			
Real estate	5,548	7,071	12,619
Land plots	-	11,257	11,257
Movable property	-	47	47
31 December 2021			
Real estate	13,508	14,332	27,840
Land plots	-	16,840	16,840
Movable property	-	732	732

16. INSURANCE CONTRACT ASSETS AND LIABILITIES

Insurance contract assets comprised the following:

	31 December 2022	31 December 2021
Reinsurers' share of unearned premium reserve	17,673	13,653
Reinsurers' share of reserves for claims	7,407	18,934
	25,080	32,587
Premiums receivable	28,153	21,524
Insurance contract assets	53,233	54,111

Insurance contract liabilities comprised the following:

	31 December 2022	31 December 2021
Reserves for insurance claims	221,263	180,373
Gross unearned insurance premium reserve	52,720	44,253
	273,983	224,626
Payables to reinsurers and agents	18,361	15,655
Insurance contract liabilities	292,344	240,281

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Insurance risk

The Group establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored. The Group's direct insurance business is spread throughout the Republic of Kazakhstan. The Group's reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group's current risk appetite.

Reinsurance of risk above the Group's appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure.

The Group evaluates the financial strengths of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimise its exposure to significant losses from reinsurer insolvencies.

Insurance reserve risk

There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities, the Group uses various actuarial methods and assumptions.

Liability adequacy test

The Group applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the statement of profit or loss.

Credit risk in respect to insurance

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by NBRK on a regular basis. Such risks are monitored continuously and are subject to an annual or more frequent reassessment.

The movements on claims reserves for the years ended 31 December 2022 and 2021, were as follows:

	2022	2021
Reserves for claims, beginning of the year	180,373	148,085
Reserves for claims, reinsurance share, beginning of the year	(18,934)	(16,898)
Net reserves for claims, beginning of the year	161,439	131,187
Plus claims incurred	133,948	91,017
Less claims paid	(81,530)	(60,765)
Net reserves for claims, end of the year	213,857	161,439
Reserves for claims, reinsurance share, end of the year	7,407	18,934
Reserves for claims, end of the year	221,263	180,373

The movements on unearned insurance premium reserve for the years ended 31 December 2022 and 2021, were as follows:

	2022	2021
Gross unearned insurance premium reserve, beginning of the year	44,253	32,819
Unearned insurance premium reserve, reinsurance share, beginning of the year	(13,653)	(12,364)
Net unearned insurance premium reserve, beginning of the year	30,600	20,455
Change in unearned insurance premium reserve	8,467	11,434
Change in unearned insurance premium reserve, reinsurance share	(4,020)	(1,289)
Net change in unearned insurance premium reserve	4,447	10,145
Net unearned insurance premium reserve, end of the year	35,047	30,600
Unearned insurance premium reserve, reinsurance share, end of the year	17,673	13,653
Gross unearned insurance premium reserve, end of the year	52,720	44,253

(Millions of Kazakhstani Tenge)

17. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2022	31 December 2021
Recorded at amortised cost:		
Term deposits:		
Individuals	4,327,413	3,674,572
Legal entities	2,898,924	2,046,999
	7,226,337	5,721,571
Current accounts:		
Legal entities	2,369,360	2,011,305
Individuals	891,918	740,531
	3,261,278	2,751,836
Total amount due to customers	10,487,615	8,473,407

As at 31 December 2022, the Group's ten largest groups of related customers accounted for approximately 17% of the total amounts due to customers (31 December 2021 – 20%), where each group of related customers represents customers related to each other within that group.

As at 31 December 2022 amounts due to customers included amounts held as collateral of KZT 177,501 million (31 December 2021 – KZT 119,885 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2022	%	31 December 2021	%
Individuals and entrepreneurs	5,219,331	50%	4,415,103	52%
Oil and gas	808,762	8%	471,553	6%
Other consumer services	777,500	7%	767,535	9%
Wholesale trade	679,740	6%	336,007	4%
Financial sector	593,140	6%	711,392	8%
Transportation	417,556	4%	258,282	3%
Construction	299,500	3%	259,836	3%
Communication	262,722	3%	116,694	1%
Healthcare and social services	235,717	2%	246,109	3%
Metallurgy	210,530	2%	187,437	2%
Government and state-controlled companies	191,126	2%	110,568	1%
Insurance and pension funds activity	171,967	1%	77,109	1%
Education	111,330	1%	80,260	1%
Energy	73,334	1%	43,678	1%
Other	435,360	4%	391,844	5%
	10,487,615	100%	8,473,407	100%

18. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 December 2022	31 December 2021
Recorded at amortised cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	529,743	889,941
Loans from JSC Entrepreneurship Development Fund DAMU	83,356	83,878
Loans from JSC Development Bank of Kazakhstan	80,071	47,451
Correspondent accounts	74,496	25,856
Loans and deposits from non-OECD based banks	64,631	22,943
Loans from JSC Industrial Development Fund	22,632	-

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	31 December 2022	31 December 2021
Loans and deposits from OECD based banks	14,006	-
Loans from other financial institutions	9,730	1,507
Loans from JSC "National Managing Holding "KazAgro"	-	66
	878,665	1,071,642

As at 31 December 2022, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 80,686 million at a 1.0% – 4.5% interest rate maturing in 2022 – 2035 with an early recall option (31 December 2021 – KZT 81,879 million). These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreements between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 5.0% interest rate.

As at 31 December 2022, the Group entered into an agreement with DAMU to provide a credit line for financing leasing transactions of small and medium-sized businesses in the amount of KZT 2,228 million with maturity until 2026. Under the terms of the loan agreement, loans are issued for a period not exceeding 84 months at a rate of 10%, provided that the Group obtains sufficient collateral.

As at 31 December 2022, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 36,045 million (31 December 2021 – KZT 30,921 million) at a 2.0% interest rate maturing in 2029 – 2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 43,796 million (31 December 2021 – KZT 16,175 million) at a 1.0% interest rate maturing in 2035, to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

As at 31 December 2022, loans from JSC Industrial Development Fund ("IDF") included long-term loans of of KZT 22,500 million at 1.0% interest rate maturing in 2052 to finance the purchase of domestically produced vehicles by the Group's retail customers. According to the loan agreement between the IDF and the Group, the Group is responsible for providing loans to retail business borrowers at a rate of 4.0% with a maturity of no more than 7 years.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, DBK and IDF represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, DBK and IDF were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2022		31 December 2021	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	11.5%-17.8%	2023-2026	8.8%-11.5%	2022
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-10.0%	2023-2035	1.0%-9.0%	2022-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans and deposits from non-OECD based banks	1.0%-14.5%	2023-2027	2.5%-10.5%	2022
Loans from JSC Industrial Development Fund	1.0%	2052	-	-
Loans and deposits from OECD based banks	14.5%	2023	-	-
Loans from other financial institutions	1.5%-10.0%	2023-2026	4.0%-10.0%	2023-2026
Loans from JSC "National Managing Holding "KazAgro"	-	-	3.0%	2022

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The fair value of assets pledged (Note 7, 9 and 10) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2022 and 2021, are as follows:

	31 December 2022		31 December 2021	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Debt securities at amortised cost, net of allowance for expected credit losses	505,588	502,620	853,203	848,505
Financial assets at fair value through profit or loss	18,943	19,129	24,719	24,997
Financial assets at fair value through other comprehensive income	6,609	6,668	8,990	9,488
	531,140	528,417	886,912	882,990

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2022 and 2021 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Debt securities at amortised cost, net of allowances for expected credit loss (Note 10)	Financial assets at fair value at value through profit or loss (Note 7)	Financial assets at fair value through other comprehensive income (Note 9)
As at 31 December 2022:			
Carrying amount of transferred assets	505,588	18,943	6,609
Carrying amount of associated liabilities	502,620	19,129	6,668
As at 31 December 2021:			
Carrying amount of transferred assets	853,203	24,719	8,990
Carrying amount of associated liabilities	848,505	24,997	9,488

Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2022 and 2021, the Group was in compliance with the covenants.

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19. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2022	31 December 2021
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	90,341	86,952
Total subordinated debt securities outstanding	90,341	86,952
Unsubordinated debt securities issued:		
KZT denominated bonds	232,597	333,310
USD denominated bonds	139,879	79,550
Total unsubordinated debt securities outstanding	372,476	412,860
Total debt securities outstanding	462,817	499,812

On 28 January 2021, the Bank redeemed its USD 500 million Eurobond issue bearing 7.25% coupon rate due 2021. The repayment was made from the Bank's own funds.

On 1 March 2021, the Bank fully repaid its outstanding debt of USD 248 million under the USD 750 million Eurobond programme bearing 5.5% coupon rate due 2022. The Group recognized a loss of KZT 19,767 million from early redemption of eurobonds in the consolidated statement of profit or loss included as "other income".

On 19 January 2022, the Group redeemed local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% and maturity in 2022 in amount of KZT 93,632 million. The repayment was made from the Group's own funds.

On 1 April 2022, the Group redeemed the bonds listed on AIX with a coupon rate of 3% and maturity in 2022 in the amount of USD 100 million. The repayment was made from the Group's own funds.

On 19 April 2022, the Group redeemed the bonds listed on AIX with a coupon rate of 3% and maturity in 2022 in the amount of USD 83 million. The repayment was made from the Group's own funds.

On 28 April 2022, the Group issued the bonds listed on AIX with a coupon rate of 2.5% in the amount of USD 200 million.

On 1 June 2022, the Group issued the bonds listed on AIX with a coupon rate of 2.5% in the amount of USD 100 million.

The coupon rates and maturities of these debt securities issued are as follows:

	31 December 2022		31 December 2021	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:				
KZT denominated bonds	7.5%	2024-2025	7.5%-8.8%	2022-2025
USD denominated bonds	2.5%-4.0%	2025	3.0%	2022

As at 31 December 2022, accrued interest on debt securities issued was KZT 6,994 million (as at 31 December 2021 – KZT 14,943 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

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			Non-cash changes		
	1 January 2022	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2022
Debt securities issued	499,812	(49,714)	15,649	(2,930)	462,817

			Non-cash changes		
	1 January 2021	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2021
Debt securities issued	778,192	(305,470)	2,310	24,780	499,812

20. TAXATION

The Bank and its subsidiaries are subject to taxation in accordance with the tax law of the country where the Group operates.

The income tax expense comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax expense	105,834	63,065
Deferred income tax benefit	(737)	(828)
Total income tax expense	105,097	62,237

Deferred income tax expense/(benefit) relating to temporary differences is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Fair value of derivatives and financial assets at fair value through other comprehensive income	(555)	407
Property and equipment, accrued depreciation	675	1,517
Loans to customers, allowance for expected credit losses	1,109	(384)
Other	(1,966)	(2,368)
Deferred income tax benefit recognized in profit or loss	(737)	(828)

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2022 and 2021. Income on state and other qualifying securities is tax exempt.

During the years ended 31 December 2022 and 2021 the tax rates in the Republic of Kyrgyzstan, Georgia and the Republic of Uzbekistan are 10%, 15% and 20% respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Income before income tax expense	658,849	524,615
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	131,770	104,923
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(38,247)	(37,110)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(588)	(245)
Non-deductible expenditures:		
- other provisions	7,301	99
- loss from disposal of subsidiary	3,848	-

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	Year ended 31 December 2022	Year ended 31 December 2021
- general and administrative expenses	759	269
Other	254	(5,699)
Income tax expense	105,097	62,237

Deferred tax assets and liabilities comprise:

	31 December 2022	31 December 2021
Tax effect of deductible temporary differences:		
Bonuses accrued	4,853	4,605
Fair value of derivatives	1,650	296
Vacation pay accrual	688	767
Other	126	14
Deferred tax asset	7,317	5,682
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(38,721)	(40,397)
Property and equipment, accrued depreciation	(19,284)	(14,401)
Allowance for loans to customers	(1,406)	(297)
Fair value of derivatives and financial assets at fair value through other comprehensive income		
Other	23	1
Deferred tax liability	(59,639)	(55,902)
Net deferred tax liability	(52,322)	(50,219)

Current income tax assets and liabilities comprise:

	31 December 2022	31 December 2021
Current income tax refund receivable	1,521	1,942
Current income tax payable	(12,358)	(11,539)
Current income tax liability	(10,837)	(9,597)

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2022	31 December 2021
Deferred tax asset	273	250
Deferred tax liability	(52,595)	(50,469)
Net deferred tax liability	(52,322)	(50,219)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implemented regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create substantially more significant tax risks in Kazakhstan than typically found in countries with more developed tax systems.

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

In Kazakhstan, tax years remain open for review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

Movements in net deferred tax liability:

	2022	2021
Net deferred tax liability at the beginning of the year	50,219	51,047
Deferred tax benefit recognized in profit or loss	(737)	(944)
Deferred tax expense recognized in other comprehensive income	2,840	116
Net deferred tax liability at the end of the year	52,322	50,219

21. EQUITY

The number of shares authorised, issued and fully paid as at 31 December 2022 and 2021, were as follows:

	Share capital authorised	Share capital authorised and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2022: Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,563,676,403)	10,883,868,379
31 December 2021: Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(2,551,539,932)	10,896,004,850

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount (millions of KZT) Common
31 December 2020	11,684,340,715	98,000
Purchases common shares	(845,775,545)	(153,973)
Purchase of treasury shares	(24,003,844)	(3,541)
Sale of treasury shares	81,443,524	9,219
31 December 2021	10,896,004,850	(50,295)
Purchases of treasury shares	(52,653,439)	(6,044)
Sale of treasury shares	40,516,968	4,831
31 December 2022	10,883,868,379	(51,508)

In December 2021, the Board of Directors of the Bank authorized the repurchase of 845,775,545 common shares at a price of KZT 182.10 per share, including 147,006,040 shares in the form of 3,675,151 global depositary receipts, at a price of USD 16.78 per share, for a total amount of KZT 154 billion. The purpose of the repurchase of the securities is to optimize the capital structure of the Group.

The repurchase volume was 7.2% of the Bank's outstanding shares at the time of the repurchase, as a result, as at 31 December 2021, the total number of repurchased treasury shares of the Bank amounted to 2,539,270,930 shares or 18.9% of the total number of outstanding shares of the Bank.

Repurchased securities are held as treasury shares as a reduction of shareholders' equity and, in accordance with the laws of the Republic of Kazakhstan, cannot be cancelled. At the same time, the repurchased treasury shares of the Bank are not included in the calculation of basic and diluted earnings per share ("EPS") and dividend per share. In the event that the Bank sells the repurchased shares, the standard procedure established by the legislation of the Republic of Kazakhstan for declared but not placed shares will be applied.

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Common shares

As at 31 December 2022 and 2021, share capital comprised KZT 209,027 million.

As at 31 December 2022, the Group held 2,563,676,403 shares of the Group's common shares as treasury shares for KZT 260,535 million (31 December 2021 – 2,551,539,932 for KZT 259,322 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

Dividends paid for the previous financial years were as follows:

	Paid in 2022 for the year ended 31 December 2021	Paid in 2021 for the year ended 31 December 2020
Dividends declared during the period	138,341	210,783
Dividend paid per one common share	12.71	18.00

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

22. FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group's financial commitments and contingencies comprise the following:

	31 December 2022	31 December 2021
Guarantees issued	603,028	626,319
Commercial letters of credit	94,192	65,267
Commitments to extend credit	69,122	58,101
Financial commitments and contingencies	766,342	749,687
Less: cash collateral against letters of credit	(63,730)	(35,469)
Less: provisions	(13,773)	(13,193)
Financial commitments and contingencies, net	688,839	701,025

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 31 December 2022, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 45% of the Group's total financial guarantees (31 December 2021 – 60%) and represented 14% of the Group's total equity (31 December 2021 – 24%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 31 December 2022, the ten largest unsecured letters of credit accounted for 31% of the Group's total commercial letters of credit (31 December 2021 – 44%) and represented 1% of the Group's total equity (31 December 2021 – 2%).

The Group requires collateral to support credit-related financial instruments, when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through a review of the credit risk of the borrower or an analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held with banks, government securities and other assets.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

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The movements in provisions were as follows:

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(306)	(6,433)	(6,454)	(13,193)
Transfer to Stage 2	3	(7)	4	-
Transfer to Stage 3	3,156	25	(3,181)	-
(Additional provisions recognised)/recoveries	(3,346)	446	2,978	78
Disposal of subsidiaries	176	-	403	579
Foreign exchange differences	308	(745)	(800)	(1,237)
At the end of the year	(9)	(6,714)	(7,050)	(13,773)

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(640)	(1,343)	(7,304)	(9,287)
Transfer to Stage 2	258	(258)	-	-
Transfer to Stage 3	14,004	1,419	(15,423)	-
(Additional provisions recognized)/recoveries	(14,044)	(6,289)	16,331	(4,002)
Foreign exchange differences	116	38	(58)	96
At the end of the year	(306)	(6,433)	(6,454)	(13,193)

Capital commitments

As at 31 December 2022, the Group had capital expenditures commitments in respect of construction in progress for KZT 1,595 million (31 December 2021 – KZT 5,998 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 December 2022 and 2021.

23. NET INTEREST INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income:		
Loans to customers	983,415	634,858
- Corporate business	435,287	282,512
- Retail business	402,563	263,709
- SME business	145,565	88,637
Financial assets at fair value through other comprehensive income	97,309	94,649
Debt securities at amortised cost, net of allowance for expected credit losses	91,388	99,429
Amounts due from credit institutions and cash and cash equivalents	41,026	18,228
Other financial assets	7,501	11,079
Interest income calculated using effective interest method	1,220,639	858,243
Financial assets at fair value through profit or loss	27,005	21,622
Other interest income	27,005	21,622
Total interest income	1,247,644	879,865
Interest expense:		
Amounts due to customers	(477,102)	(303,169)
- Individuals	(227,010)	(165,142)
- Legal entities	(250,092)	(138,027)
Amounts due to credit institutions	(63,982)	(8,829)
Debt securities issued	(35,317)	(45,853)
Other financial liabilities	(827)	(677)
Other interest and similar expense	(217)	(8,264)
Total interest expense	(577,445)	(366,792)
Net interest income before credit loss expense	670,199	513,073

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Other interest and similar expense includes loss on initial recognition of long-term financial accounts receivable.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 1,123,330 million for the year ended 31 December 2022 (31 December 2021: KZT 763,593 million).

24. FEES AND COMMISSIONS

Fee and commission income is derived from the following sources:

	Year ended 31 December 2022	Year ended 31 December 2021
Transactional income of individuals	129,231	109,786
Transactional income of legal entities	38,343	24,787
Letters of credit and guarantees issued	13,863	11,477
Other	10,850	7,827
Loyalty program	(12,221)	(15,488)
Total fee and commission income	180,066	138,389

Fee and commission expense is derived from the following sources:

	Year ended 31 December 2022	Year ended 31 December 2021
Transactional expense of individuals	(78,983)	(59,591)
Transactional expense of legal entities	(7,420)	(4,223)
Deposit insurance	(6,265)	(5,965)
Other	(3,606)	(2,010)
Total fee and commission expense	(96,274)	(71,789)

The management of the Group made a decision to change the disclosure of "Fee and commission" and believes that this presentation provides a better view of the Group's financial results for this line item of the consolidated financial statements. Accordingly, the Group has revised its presentation for the year ended 31 December 2021 to conform to the presentation for the year ended 31 December 2022.

Transactional income of individuals and legal entities includes fee and commission income derived from bank transfers on settlements and salary projects, maintenance of customer accounts and plastic card operations, cash operations and servicing customers' pension payments.

Transactional expense of individuals and legal entities includes fee and commission expense derived from payment cards, bank transfers and cash operations.

25. NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:		
Realized net gain on derivative operations	12,798	8,289
Net (loss)/gain on trading operations	(13,370)	1,764
Unrealized net (loss)/gain on derivative operations	(3,062)	5,018
Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading	(3,634)	15,071

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26. NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
Dealing, net*	172,982	38,175
Translation differences, net	5,918	(7,639)
Total net foreign exchange gain	178,900	30,536

*The dealing, net in 2022 refers mainly to increased volatility and increased activity in the foreign exchange markets.

27. INSURANCE UNDERWRITING INCOME / (INSURANCE CLAIMS INCURRED AND INSURANCE AGENCY COMMISSIONS)

Insurance underwriting income / (insurance claims incurred and insurance agency commissions) comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
Insurance premiums written, gross	233,132	227,027
Ceded reinsurance share	(75,223)	(79,371)
Change in unearned insurance premiums, net	(2,149)	(7,618)
Total insurance underwriting income	155,760	140,038
Insurance reserves expenses	(58,486)	(32,933)
Insurance payments	(36,359)	(31,113)
Total insurance claims incurred	(94,845)	(64,046)
Commissions to agents	(39,103)	(32,129)
Total insurance claims incurred and insurance agency commissions	(133,948)	(96,175)
Net insurance income	21,812	43,863

28. OPERATING EXPENSES

Operating expenses comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and other employee benefits	115,817	100,252
Depreciation and amortisation expenses	17,274	14,909
Taxes other than income tax	11,360	9,607
Information services	6,980	6,909
Communication	6,848	5,546
Charity*	6,542	2,944
Security	6,211	5,403
Advertisement	4,743	4,261
Utilities expenses	4,737	4,312
Repair and maintenance	3,945	3,639
Rent	3,163	2,996
Stationery and office supplies	2,598	1,744
Professional services	1,826	1,843
Other	10,115	7,085
Total operating expenses	202,159	171,450

*In response to the economic implications of January events, the Government has prepared initiatives designed to address the current crisis. A special charitable fund "For the People of Kazakhstan", which is funded from private and public sources, is established to support citizens of Kazakhstan in the field of healthcare, education and provide other social support. The Group has contributed KZT 3 billion to the fund, which are part of charity expenses.

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29. INCOME ON NON-BANKING ACTIVITIES

	Year ended 31 December 2022	Year ended 31 December 2021
Net gain on sale of commercial property	19,659	16,048
Net gain on sale of investment property	235	1,544
Net gain on sale of assets classified as held for sale	1,304	2,754
Other income on non-banking activities	4,356	2,338
Income on non-banking activities	25,554	22,684

30. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments on common shares may not exceed dividend payments on preferred shares for the same year. Therefore, net profit for the year is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2022	Year ended 31 December 2021
Basic and diluted earnings per share	553,751	462,377
Net profit for the year attributable to equity holders of the parent		
Earnings attributable to common shareholders	553,751	462,377
Weighted average number of common shares for the purposes of basic earnings per share	10,891,001,418	11,684,338,205
Basic earnings per share (in Tenge)	50.84	39.57

As required by KASE rules for listed companies, the book value of one common share as at 31 December 2022 and 2021 is disclosed as follows:

			31 December 2022
Class of shares	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	10,883,868,379	1,896,920	174.29
		1,896,920	

			31 December 2021
Class of shares	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	10,896,004,850	1,560,057	143.18
		1,560,057	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting dates.

31. FINANCIAL RISK MANAGEMENT

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks.

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Group developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the "ICAAP") is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Group's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Group's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Group assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Group's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Group when a borrower/counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Group maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

The risk management department directly participates in credit decision – making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure limitation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the "ALMC"). The Group sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programs (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Group monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board, Risk Committee and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision making process.

Head Office Credit Committee ("CC")

The primary goal of the CC is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee ("BCC", "BNCC")

The primary goal of the BCC and the BNCC is the implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office ("RCCHO") and Decision Making Center ("DMC")

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorised to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business ("DMC for SB")

The DMC for SB was established in 2018, the main task of which is to consider loan applications in the small business sector in an amount not exceeding KZT 150 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorised credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorised credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee, according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximisation and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, market risk management, ensuring effective control over the activities of the Bank's executive bodies on financial risk management and determining priority areas for minimizing the Bank's risks.

The ALMC is also responsible for establishing country and counterparty-bank limits. The ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

Risk Committee

The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets, the maximum exposure equals the carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on, or in the case of commitments, if the loan amount was called on (Note 22). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

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	31 December 2022	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,753,870	17,152
Obligatory reserves	259,544	-
Financial assets at fair value through profit or loss (less equity securities)	290,257	-
Amounts due from credit institutions	135,655	-
Financial assets at fair value through other comprehensive income	2,100,315	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,019,089	-
Loans to customers	7,857,902	6,806,961
Other financial assets	75,774	-
Commitments and contingencies (less provisions)	752,569	63,730

	31 December 2021	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,192,906	208,728
Obligatory reserves	194,931	-
Financial assets at fair value through profit or loss (less equity securities)	262,066	-
Amounts due from credit institutions	602,125	-
Financial assets at fair value through other comprehensive income	1,862,516	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,288,178	-
Loans to customers	5,872,228	5,158,676
Other financial assets	71,233	-
Commitments and contingencies (less provisions)	736,494	35,469

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2022 and 2021, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined on the basis of increase in lifetime probability of default since initial recognition over defined thresholds for segmented homogeneous portfolios and for loans with an overdue more than 30 days since initial recognition, for loans assessed on an individual basis – additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

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Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60 – 90 days, for loans assessed on an individual basis – over 60 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Group considers that certain financial instruments with low credit risk at the reporting date have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only. The Group considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%.

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating "base case" and "downside" scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

When applying these stress factors, the results of stress testing performed at the end of 2022 show a slight decrease in certain financial indicators of the Group (growth in provisions for expected credit losses, decrease in net profit and outflow of customer accounts).

At the same time, given that, the Group has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Group and violation of regulatory requirements and norms are not predicted.

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the "downside" scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the "base case" scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2022 and 2021 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

	31 December 2022		31 December 2021	
List of macro variables used	Definition	Range	Definition	Range
Real GDP growth	% change	Between 1.6% and 3.2%	% change	Between 2.5% and 3.7%
Inflation	Inflation %	Between 14.3% and 16.0%	Inflation %	Between 7.5% and 9.0%
Oil price (USD/bbl)	Price per barrel	Between USD 60 and USD 80	Price per barrel	Between USD 50 and USD 68

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

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The following table details the credit ratings of financial assets held by the Group (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2022 Total
Cash equivalents*	338,678	111,290	181,764	1,049,429	57,175	15,555	1,753,891
Obligatory reserves	-	-	-	234,552	24,992	–	259,544
Financial assets at fair value through profit or loss	29,028	14	11,283	247,191	40,838	13,814	342,168
Amounts due from credit institutions	8,624	25,466	37,215	7,369	36,486	20,840	136,000
Financial assets at fair value through other comprehensive income	312,270	66,912	92,885	1,569,202	60,220	8,998	2,110,487
Debt securities at amortised cost	-	-	-	975,153	42,570	1,716	1,019,439
Other financial assets	-	-	-	-	-	108,500	108,500
Commitments and contingencies	-	-	-	-	-	766,342	766,342

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2021 Total
Cash equivalents*	220,128	13,360	9,539	911,214	24,133	14,574	1,192,948
Obligatory reserves	-	-	-	194,931	-	-	194,931
Financial assets at fair value through profit or loss	190	188	7,297	172,764	89,238	13,656	283,333
Amounts due from credit institutions	-	17,428	73,943	467,644	24,121	19,187	602,323
Financial assets at fair value through other comprehensive income	20,052	75,029	134,835	1,583,770	54,281	6,387	1,874,354
Debt securities at amortised cost	-	-	43,187	1,058,187	6,275	181,074	1,288,723
Other financial assets	-	-	-	-	-	90,829	90,829
Commitments and contingencies	-	-	-	-	-	749,687	749,687

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

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The following table details the carrying value of assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment						
	Unimpaired financial assets		Impaired financial assets		Financial assets that have been collectively assessed for impairment		
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2022 Total
Amounts due from credit institutions	135,807	(345)	-	-	193	-	135,655
Financial assets at fair value through other comprehensive income	2,110,487	(1,218)	-	-	-	-	2,109,269
Debt securities at amortised cost	1,016,434	(347)	-	-	3,005	(3)	1,019,089
Loans to customers	4,740,903	(42,143)	416,995	(186,551)	3,122,392	(193,694)	7,857,902
Other financial assets	-	-	68,239	(31,103)	40,261	(1,623)	75,774

	Financial assets that have been individually assessed for impairment						
	Unimpaired financial assets		Impaired financial assets		Financial assets that have been collectively assessed for impairment		
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2022 Total
Amounts due from credit institutions	602,208	(198)	-	-	115	-	602,125
Financial assets at fair value through other comprehensive income	1,874,354	(2,677)	-	-	-	-	1,871,677
Debt securities at amortised cost	1,282,741	(539)	3,543	(3)	2,439	(3)	1,288,178
Loans to customers	3,554,951	(59,805)	369,968	(175,000)	2,325,341	(143,227)	5,872,228
Other financial assets	-	-	51,475	(18,539)	39,354	(1,057)	71,233

As at 31 December 2022, the carrying amount of unimpaired overdue loans was KZT 67,128 million (31 December 2021 – 32,761 million). Maturities of these overdue loans are not greater than 90 days.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Group has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

As part of the risk management system, liquidity risk is measured and controlled through the following tools:

- monitoring compliance with regulatory (prudential) liquidity ratios;
- setting and regular monitoring of internal limits and triggers for liquidity risk: risk appetite level, IPALA ratio, limit on GAP gaps, liability concentration limits, early warning indicators of liquidity risk;
- analysis of contractual maturities (GAP-analysis) and cash flow forecasting, including: planned transactions, projected rollover of attracted customer funds (taking into account the calculation of the stable part of funding);
- analysis of the concentration of funding sources (by largest depositors, by currency, by funding maturity, by funding source;
- indicators of early warning about liquidity risk, allowing to monitor and control liquidity risk;
- analysis of the volume of assets that can be used as collateral to raise liquidity;
- development and regular testing of a contingency financing plan with a description of the process of eliminating liquidity shortage in emergency situations;
- stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity.

Short-term liquidity needs are managed by the Group's treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analysing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyses and evaluates cash inflows and outflows to determine the potential shortage of liquid assets in the future. The Group measures and forecasts estimated cash flows for assets and liabilities, including off-balance sheet claims and liabilities, which analyzes the structure of gaps between cash flows for financial assets and financial liabilities (GAP analysis). In a GAP analysis, cash flows are grouped into time buckets based on the following principles:

- assets and liabilities are broken down into economically homogeneous and significant items;
- securities at fair value through profit or loss are classified in the column "Less than 1 month" because they are available to meet the Group's short-term liquidity needs;
- part of long-term loans provided to customers are classified in the column "From 3 months to 1 year", because for them, the Group has the right to unilaterally withdraw within ten months after due notice issued by the Group;
- loans to customers, amounts due from credit institutions, financial assets at fair value through other comprehensive income, debt securities at amortized cost, other financial assets, customer accounts, amounts due to credit institutions, debt securities issued, other financial liabilities included analysis of the liquidity position based on expected contractual maturities;
- Assets and liabilities other than those listed above are generally classified according to the payment schedule and the remaining period from the reporting date to the earliest contractual payment date or available maturity date.

For the purposes of effective control, the Group divides liquidity management into:

- management of current (intraday)/short-term liquidity – management of assets and liabilities with a maturity of less than 3 months;
- management of mid-term/long-term liquidity – management of assets and liabilities with maturity from 3 months to 1 year and more than 1 year.

Liquidity risk management is generally carried out by ALMC, whose main tasks are to control the implementation of the asset and liability management policy and the liquidity management policy, and to determine the need for liquid funds. The treasury department directly manages the Bank's cash flows and short-term liquidity within the established level of risk appetite for liquidity risk and the limits established by ALMC. The treasury department develops and implements measures for operational liquidity management. The risk management division is responsible for the implementation of the liquidity risk management process, for identifying, measuring, monitoring, controlling and analyzing liquidity risk as part of periodic management reporting on the current state of liquidity risk with related analysis, and, if necessary, provides its recommendations for minimizing risks. The risk management division also conducts stress testing of the impact of changes in various macroeconomic and other factors and parameters on liquidity, including taking into account the scenario of the outflow of customer funds.

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Liquidity risk management (identification, measurement, monitoring, control and analysis of liquidity risk) is carried out in accordance with the IPALA and the liquidity risk management policy, as well as regulatory requirements.

The following tables provide an analysis of financial assets and liabilities grouped based on the above principles.

						31 December 2022
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	2,028,820	11	-	-	-	2,028,831
Obligatory reserves	144,759	14,670	71,901	16,814	11,400	259,544
Financial assets at fair value through profit or loss	331,736	-	-	10,432	-	342,168
Amounts due from credit institutions	79,867	6,894	20,744	28,028	122	135,655
Financial assets at fair value through other comprehensive income	57,289	150,169	395,275	1,278,991	227,545	2,109,269
Debt securities at amortised cost, net of allowance for expected credit losses	14,113	17,305	283,541	703,146	984	1,019,089
Loans to customers*	325,594	671,791	4,472,139	2,286,554	101,824	7,857,902
Other financial assets	29,082	2,258	23,650	14,754	6,030	75,774
	3,011,260	863,098	5,267,250	4,338,719	347,905	13,828,232
FINANCIAL LIABILITIES:						
Amounts due to customers	5,365,384	722,973	3,612,836	386,997	399,425	10,487,615
Amounts due to credit institutions	679,972	9,577	3,174	19,112	166,830	878,665
Financial liabilities at fair value through profit or loss	9,955	-	-	673	-	10,628
Debt securities issued	-	3,785	3,209	455,823	-	462,817
Other financial liabilities	132,549	1,273	1,569	547	503	136,441
	6,187,860	737,608	3,620,788	863,152	566,758	11,976,166
Net position	(3,176,600)	125,490	1,646,462	3,475,567	(218,853)	1,852,066
Accumulated gap	(3,176,600)	(3,051,110)	(1,404,648)	2,070,919	1,852,066	

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	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,425,776	12,745	-	-	-	1,438,521
Obligatory reserves	124,301	15,340	47,272	7,671	347	194,931
Financial assets at fair value through profit or loss	278,518	8	-	194	4,613	283,333
Amounts due from credit institutions	77,851	74,735	448,040	1,497	2	602,125
Financial assets at fair value through other comprehensive income	52,836	48,811	219,577	1,254,770	295,683	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	11,992	1,559	329,197	694,656	250,774	1,288,178
Loans to customers*	180,410	401,881	3,333,341	1,790,844	165,752	5,872,228
Other financial assets	15,146	6,281	4,044	42,006	3,756	71,233
	2,166,830	561,360	4,381,471	3,791,638	720,927	11,622,226
FINANCIAL LIABILITIES:						
Amounts due to customers	4,040,155	946,963	2,363,147	721,714	401,428	8,473,407
Amounts due to credit institutions	889,465	49,375	903	18,350	113,549	1,071,642
Financial liabilities at fair value through profit or loss	1,566	-	107	142	461	2,276
Debt securities issued	101,473	3,785	82,265	300,797	11,492	499,812
Other financial liabilities	90,772	688	16,752	1,184	-	109,396
	5,123,431	1,000,811	2,463,174	1,042,187	526,930	10,156,533
Net position	(2,956,601)	(439,451)	1,918,297	2,749,451	193,997	1,465,693
Accumulated gap	(2,956,601)	(3,396,052)	(1,477,755)	1,271,696	1,465,693	

*Loans to customers in the column "3 months to 1 year" include loans with non-standard repayment schedule.

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The change in liquidity gaps during the reporting period is associated with a change in the volume and/or structure of liquid assets, a change in the maturity structure of the Group's assets and liabilities, including due to a change in the maturity of assets (reduction/increase in the maturity of the portfolio of securities, loans to customers) and liabilities (reduction/increase in funds of amounts due to customers, amounts due to credit institutions, for debt securities issued).

As at 31 December 2022 and 2021 the Group complies with main liquidity ratios and regulatory liquidity requirements.

The analysis of liabilities by maturity does not reflect the historical stability of customer current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. In this regard, Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group, indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of the Group's current accounts is considered to be stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position, as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
Amounts due to customers	5,386,395	729,470	3,733,613	418,929	459,846	10,728,253
Amounts due to credit institutions	686,364	28,473	106,197	131,590	207,326	1,159,950
Debt securities issued	-	7,626	25,523	518,249	-	551,398
Other financial liabilities	132,549	1,273	1,569	547	503	136,441
Guarantees issued	603,701	-	-	-	-	603,701
Commercial letters of credit	94,192	-	-	-	-	94,192
Commitments to extend credit	69,122	-	-	-	-	69,122
	6,972,323	766,842	3,866,902	1,069,315	667,675	13,343,057
Derivative financial assets	358,493	102,895	-	52,614	-	514,002
Derivative financial liabilities	375,114	103,250	-	55,971	-	534,335

FINANCIAL AND CONTINGENT LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
Amounts due to customers	4,041,427	950,688	2,434,737	743,815	499,564	8,670,231
Amounts due to credit institutions	883,280	50,632	932	18,867	140,000	1,093,711
Debt securities issued	101,834	4,937	102,313	396,427	879	606,390
Other financial liabilities	90,772	688	16,752	1,184	-	109,396
Guarantees issued	626,319	-	-	-	-	626,319
Commercial letters of credit	65,267	-	-	-	-	65,267
Commitments to extend credit	58,101	-	-	-	-	58,101
	5,867,000	1,006,945	2,554,734	1,160,293	640,443	11,229,415
Derivative financial assets	231,935	4,318	14,249	9,742	39,365	299,609
Derivative financial liabilities	233,470	4,388	15,196	10,222	39,917	303,193

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Transactions with government agencies and government-controlled companies

In the course of its operations, the Group enters into transactions with the National Bank of the Republic of Kazakhstan, the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan and government agencies, as well as with state-controlled companies (with an equity stake of 50% or more). The Group provides these customers with banking services, including, but not limited to: placing deposits, providing loans, transactions for the sale and purchase of securities, accepting funds for deposits, etc.

The balances of transactions with government institutions and state-controlled companies that were significant in terms of their carrying value (TOP 10) as at 31 December 2022 and 31 December 2021 are as follows:

31 December 2022

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	1,259,773	-	-	341	1,260,114
Government of the Republic of Kazakhstan	218	2,780	1,929,425	40,138	1,972,560
Other government agencies and state-controlled companies	1,742	441,768	682,583	1,691,460	2,817,553
Including:					
funds of state programs	135	-	67	105,709	105,911
conditional deposits	-	-	-	82,712	82,712
	1,262,699	444,548	2,612,008	1,731,939	

31 December 2021

Counterparty/Issuer	Cash and cash equivalents	Loans to customers	Investments in securities	Amounts due to customers/due to credit institutions	Total
NBRK	1,272,373	-	21,685	94	1,294,152
Government of the Republic of Kazakhstan	-	3,820	2,169,078	40,283	2,213,181
Other government agencies and state-controlled companies	21	452,023	648,540	1,323,640	2,424,224
Including:					
funds of state programs	-	-	-	140,871	140,871
conditional deposits	-	-	-	68,635	68,635
	1,272,394	455,843	2,839,302	1,573,523	

Cash and cash equivalents include balances on nostro accounts and term deposits with the NBRK in national and foreign currencies.

Loans to customers represent transactions for the financing of state-controlled companies, concluded on the terms of payment, urgency, repayment.

Securities are represented by debt and equity financial instruments denominated in national and foreign currencies, evaluated at fair value or amortized cost, depending on the purpose of acquisition.

Amounts due to credit institutions / due to customers represent liabilities to state-controlled companies in the form of current account balances, term deposits, funds placed under government financing programs small and medium-sized businesses, as well as conditional deposits placed by quasi-state companies as part of subsoil use operations.

In order to manage liquidity risk, including monitoring the concentration of assets and liabilities, the Group sets concentration limits for certain groups of customers, both in terms of claims to customers and liabilities to them (by the largest depositors / borrowers, by currency baskets, by source of funding); on a regular basis monitors the fulfillment of the specified limits, analyzes the dynamics of changes in indicators, and, if necessary, develops action plans to reduce the risk of concentration.

Additionally, on a regular basis, the Group conducts stress testing on the impact of potential changes in various macroeconomic and other indicators on the financial stability of the Group. One of the scenarios that must be considered and analyzed is a stressful outflow of customer funds (withdrawals from current accounts, early termination of term deposits), as well as the conversion of customer funds into foreign currency (from tenge to foreign currency), based on the results of a stress test, if necessary preventive measures are being developed to prevent a negative impact on the Group's operations.

The results of monitoring limits on the concentration of assets and liabilities and the results of stress testing are mandatory submitted for consideration by the authorized collegial bodies to get acquainted with the current level of the main types of risk inherent in the Group's activities and take corrective measures to minimize the risk, if necessary.

Market risk

Market risk is the risk that the Group's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables, such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks, which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimise risk/return, minimise losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review on at least an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decreases, interest expense increases or a negative impact on equity resulting from adverse changes in market interest rates.

The Group determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through other comprehensive income;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

The ALMC manages interest rate risks and market risks through the management of the Group's position on interest rates to reach positive interest margins.

The Group manages interest rates by determining the Group's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Group assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.)

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2022 and 2021 and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Group believes income tax not to have a substantial effect for the purpose of interest rate risk management.

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The impact on income before tax based on asset values as at 31 December 2022 and 2021 is as follows:

	31 December 2022		31 December 2021	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(24,595)	24,332	(24,977)	24,567
KZT	(24,924)	24,924	(28,366)	28,366
CCY	329	(592)	3,390	(3,799)
Amounts due from credit institutions	1,135	(1,135)	1,273	(1,273)
CCY	1,135	(1,135)	1,273	(1,273)
Financial assets at fair value through other comprehensive income	613	(613)_	601	(601)
KZT	613	(613)	601	(601)
Loans to customers	2,590	(2,590)	1,863	(1,863)
CCY	2,590	(2,590)	1,863	(1,863)
Net impact on income before tax	(20,257)	19,994	(24,977)	24,567

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

The impact on equity based on asset values as at 31 December 2022 and 2021 is as follows:

	31 December 2022		31 December 2021	
	Interest rate KZT +3.75% CCY +2%	Interest rate KZT -3.75% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(24,595)	24,332	(24,977)	24,567
KZT	(24,924)	24,924	(28,366)	28,366
CCY	329	(592)	3,390	(3,799)
Amounts due from credit institutions	1,135	(1,135)	1,273	(1,273)
CCY	1,135	(1,135)	1,273	(1,273)
Financial assets at fair value through other comprehensive income	(108,970)	108,970	(136,113)	136,113
KZT	(55,330)	55,330	(68,606)	68,606
CCY	(53,640)	53,640	(67,508)	67,508
Loans to customers	2,590	(2,590)	1,863	(1,863)
CCY	2,590	(2,590)	1,863	(1,863)
Net impact on equity	(129,839)	129,577	(157,954)	157,545

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimise losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Group's open currency positions, with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial positions, results of operations and cash flows, which are monitored daily. The ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying value of the Group's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. Currently, the Group's sensitivity to fluctuations in exchange rates is acceptable, due to the fact that the off- balance sheet items significantly neutralise the consolidated statement of financial position.

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The Group's exposure to foreign currency exchange rate risk is as follows:

							31 December 2022
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,212,787	44,706	25,727	243,665	1,526,885	501,946	2,028,831
Obligatory reserves	19,865	10,333	-	154,546	184,744	74,800	259,544
Financial assets at fair value through profit or loss	69,214	-	71	902	70,187	271,981	342,168
Amounts due from credit institutions	76,533	8,896	20,666	22,789	128,884	6,771	135,655
Financial assets at fair value through other comprehensive income	1,294,923	135,359	10,742	-	1,441,024	668,245	2,109,269
Debt securities at amortised cost, net of allowance for expected credit losses	201,171	-	-	34,419	235,590	783,499	1,019,089
Loans to customers	1,091,803	83,335	50,354	113,423	1,338,915	6,518,987	7,857,902
Other financial assets	3,035	322	6,397	2,334	12,088	63,686	75,774
	3,969,331	282,951	113,957	572,078	4,938,317	8,889,915	13,828,232
FINANCIAL LIABILITIES							
Amounts due to customers	4,078,425	264,226	43,983	166,189	4,552,823	5,934,792	10,487,615
Amounts due to credit institutions	49,176	16,425	52,718	2,139	120,458	758,207	878,665
Financial liabilities at fair value through profit or loss	-	240	673	983	1,896	8,732	10,628
Debt securities issued	139,879	-	-	-	139,879	322,938	462,817
Other financial liabilities	2,118	778	91	2,914	5,901	130,540	136,441
	4,269,598	281,669	97,465	172,225	4,820,957	7,155,209	11,976,166
Net position – on-balance	(300,267)	1,282	16,492	399,853	117,360	1,734,706	1,852,066
Net position – off-balance	368,850	(2,181)	(19,378)	(315,886)	31,405	(41,816)	
Net position	68,583	(899)	(2,886)	83,967	148,765	1,692,890	

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31 December 2021

	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	870,407	37,178	28,701	64,431	1,000,717	437,804	1,438,521
Obligatory reserves	66,380	36,295	783	1,940	105,398	89,533	194,931
Financial assets at fair value through profit or loss	21,247	187	38,021	1,928	61,383	221,950	283,333
Amounts due from credit institutions	546,790	5,299	2	20,696	572,787	29,338	602,125
Financial assets at fair value through other comprehensive income	1,032,406	123,598	14,176	-	1,170,180	701,497	1,871,677
Debt securities at amortised cost, net of allowance for expected credit losses	233,320	-	3,540	6,285	243,145	1,045,033	1,288,178
Loans to customers	999,420	53,050	100,574	82,813	1,235,857	4,636,371	5,872,228
Other financial assets	799	217	3,635	1,943	6,594	64,639	71,233
	3,770,769	255,824	189,432	180,036	4,396,061	7,226,165	11,622,226
FINANCIAL LIABILITIES							
Amounts due to customers	3,770,642	162,153	55,674	107,543	4,096,012	4,377,395	8,473,407
Amounts due to credit institutions	24,206	6,027	303	2,300	32,836	1,038,806	1,071,642
Financial liabilities at fair value through profit or loss	187	197	710	131	1,225	1,051	2,276
Debt securities issued	79,550	-	-	836	80,386	419,426	499,812
Other financial liabilities	1,362	99	3,894	2,215	7,570	101,826	109,396
	3,875,947	168,476	60,581	113,025	4,218,029	5,938,504	10,156,533
Net position – on-balance	(105,178)	87,348	128,851	67,011	178,032	1,287,661	1,465,693
Net position – off-balance	150,410	(89,261)	(76,048)	1,377	(13,522)	11,697	
Net position	45,232	(1,913)	52,803	68,388	164,510	1,299,358	

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Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2022 and 2021 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate, with all other variables held constant on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Group believes income tax not to have a substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2022 and 2021 was calculated using the annual analysis of the exchange rate volatility based on historical data of the exchange rate dynamics over the last two years; see the details in the following table:

	31 December 2022		31 December 2021	
	+30% KZT/USD	-30% KZT/USD	+30% KZT/USD	-30% KZT/USD
Impact on financial result/equity	20,575	(20,575)	13,570	(13,570)

	31 December 2022		31 December 2021	
	+30% KZT/EURO	-30% KZT/EURO	+30% KZT/EURO	-30% KZT/EURO
Impact on financial result/equity	(270)	270	(574)	574

	31 December 2022		31 December 2021	
	+30% KZT/RUR	-30% KZT/RUR	+30% KZT/RUR	-30% KZT/RUR
Impact on financial result/equity	(866)	866	15,841	(15,841)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products, which are subject to general and specific market fluctuations.

To limit price risk, the Group determines limits for maximum losses (stop-loss) on securities from the trade portfolio to minimise potential losses of the trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical and parametric simulation.

The Group estimates the price risk at 31 December 2022 and 2021 to be not material and therefore quantitative information is not disclosed.

(Millions of Kazakhstani Tenge)

32. CAPITAL RISK MANAGEMENT

The Group's capital management objectives, which are a broader concept than the "equity" on the face of the consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date the capital adequacy of the Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group and absorb losses as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Group, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Group's liquidation. This part of capital consists of instruments issued by the Group and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group for the years ended 31 December 2022 and 2021. During these two years, individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2022	31 December 2021
Composition of regulatory capital		
CET 1		
Common shares, net of treasury shares	(51,508)	(50,295)
Share premium	7,966	9,067
Retained earnings of prior years	1,370,424	1,039,042
Net income for the current year	553,752	462,378
Accumulated disclosed reserves*	54,190	55,186
Non-controlling interest	9	8
Property and financial assets at fair value through other comprehensive income revaluation reserves	(36,729)	48,177
Less: goodwill and intangible assets	(17,398)	(16,632)
Less: cumulative translation reserve	(11,742)	(5,582)
Common Equity Tier 1 (CET 1) Capital	1,868,964	1,541,349
Additional tier 1		
Tier 2		
Subordinated debt	36,136	52,171
Total qualifying for Tier 2 capital	36,136	52,171
Total regulatory capital	1,905,100	1,593,520
Risk weighted assets	10,271,114	8,007,464
CET 1 capital adequacy ratio	18.20%	19.25%
Tier 1 capital adequacy ratio	18.20%	19.25%
Total capital adequacy ratio	18.55%	19.90%

*As at 31 December 2022, accumulated disclosed reserves comprised from KZT 54,190 million capital reserve (31 December 2021: 55,186 million capital reserve).

33. SEGMENT ANALYSIS

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organisations including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include the allowances for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's management reviews discrete financial information for each segment, including the evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 December 2022 and 2021 and for the years then ended, is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2022 and for the year then ended						
External revenues	543,352	618,487	224,393	215,386	193,848	1,795,466
Total revenues	543,352	618,487	224,393	215,386	193,848	1,795,466
Total revenues comprise:						
- Interest income	402,563	476,313	153,066	215,382	320	1,247,644
- Fee and commission income, including:	119,999	23,331	33,161	4	3,571	180,066
Transactional income of individuals	129,189	-	-	4	38	129,231
Transactional income of legal entities	-	9,946	28,034	-	363	38,343
Letters of credit and guarantees issued	44	10,159	3,611	-	49	13,863
Other	2,920	3,293	1,516	-	3,121	10,850
Loyalty program	(12,154)	(67)	-	-	-	(12,221)
- Net foreign exchange gain	20,790	118,843	38,166	-	1,101	178,900
- Share in profit of associate	-	-	-	-	9,708	9,708
- Insurance underwriting income, income on non-banking activities and other (expene)/ income	-	-	-	-	179,148	179,148
Total revenues	543,352	618,487	224,393	215,386	193,848	1,795,466
- Interest expense	(227,009)	(244,573)	(69,537)	(35,268)	(1,058)	(577,445)
- Credit loss expense	(71,009)	(22,799)	(3,413)	(796)	(8,761)	(106,778)
- Fee and commission expense	(86,152)	(7,475)	(1,298)	(763)	(586)	(96,274)
- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	-	5,667	-	(5,443)	(3,858)	(3,634)
- Net realised loss from financial assets at fair value through other comprehensive income	-	-	-	(1,274)	-	(1,274)
- Operating expenses	(107,379)	(14,248)	(23,054)	(1,264)	(56,214)	(202,159)
- Recovery of other credit loss expense/(other credit loss expense)	332	(266)	(82)	-	94	78
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and Loss from impairment of non-financial assets	-	-	-	-	4,059	4,059

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
- Loss on disposal of subsidiaries	-	(19,242)	-	-	-	(19,242)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(133,948)	(133,948)
Total expenses	(491,217)	(302,936)	(97,384)	(44,808)	(200,272)	(1,136,617)
Segment result	52,135	315,551	127,009	170,578	(6,424)	658,849
Income before income tax expense	52,135	315,551	127,009	170,578	(6,424)	658,849
Income tax expense					(105,097)	(105,097)
Net income						553,752
Total segment assets	2,398,307	6,457,851	1,257,508	3,400,333	797,373	14,311,372
Total segment liabilities	5,206,935	4,243,248	2,124,081	467,950	357,924	12,400,138
Other segment items:						
Capital expenditures					30,547	30,547
Depreciation and amortisation					16,002	16,002
Investment in associate					42,005	42,005

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2021 and for the year then ended						
External revenues	371,810	338,759	137,589	197,270	191,220	1,236,648
Total revenues	371,810	338,759	137,589	197,270	191,220	1,236,648
Total revenues comprise:						
- Interest income	263,709	300,189	99,611	215,702	654	879,865
- Fee and commission income, including:	95,923	14,590	24,922	-	2,954	138,389
Transactional income of individuals	109,786	-	-	-	-	109,786
Transactional income of legal entities	-	4,785	19,651	-	351	24,787
Letters of credit and guarantees issued	46	8,610	2,787	-	34	11,477
Other	1,579	1,195	2,484	-	2,569	7,827
Loyalty program	(15,488)	-	-	-	-	(15,488)
- Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	13,795	-	(67)	1,343	15,071
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	1,401	-	1,401
- Net foreign exchange gain	12,178	12,303	13,056	-	(7,001)	30,536
- Share in profit of associate	-	-	-	-	6,640	6,640
- Insurance underwriting income, income on non-banking activities and other income	-	(2,118)	-	(19,767)	186,631	164,746
Total revenues	371,810	338,759	137,589	197,269	191,221	1,236,648
- Interest expense	(165,144)	(126,825)	(25,020)	(46,021)	(3,782)	(366,792)
- Recovery of credit loss expense/(credit loss expense)	(23,268)	25,608	(10,576)	773	11,467	4,004
- Fee and commission expense	(66,282)	(3,975)	(699)	(251)	(582)	(71,789)
- Operating expenses	(101,760)	(10,284)	(17,374)	(3,743)	(38,289)	(171,450)
- Recoveries of other credit loss expense/(other credit loss expense)	(173)	(2,424)	(1,385)	-	(20)	(4,002)
- Gain from recovery of a previously recognized loss from impairment of property, plant and equipment and Loss from impairment of non-financial assets	-	-	-	-	(5,829)	(5,829)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(96,175)	(96,175)

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

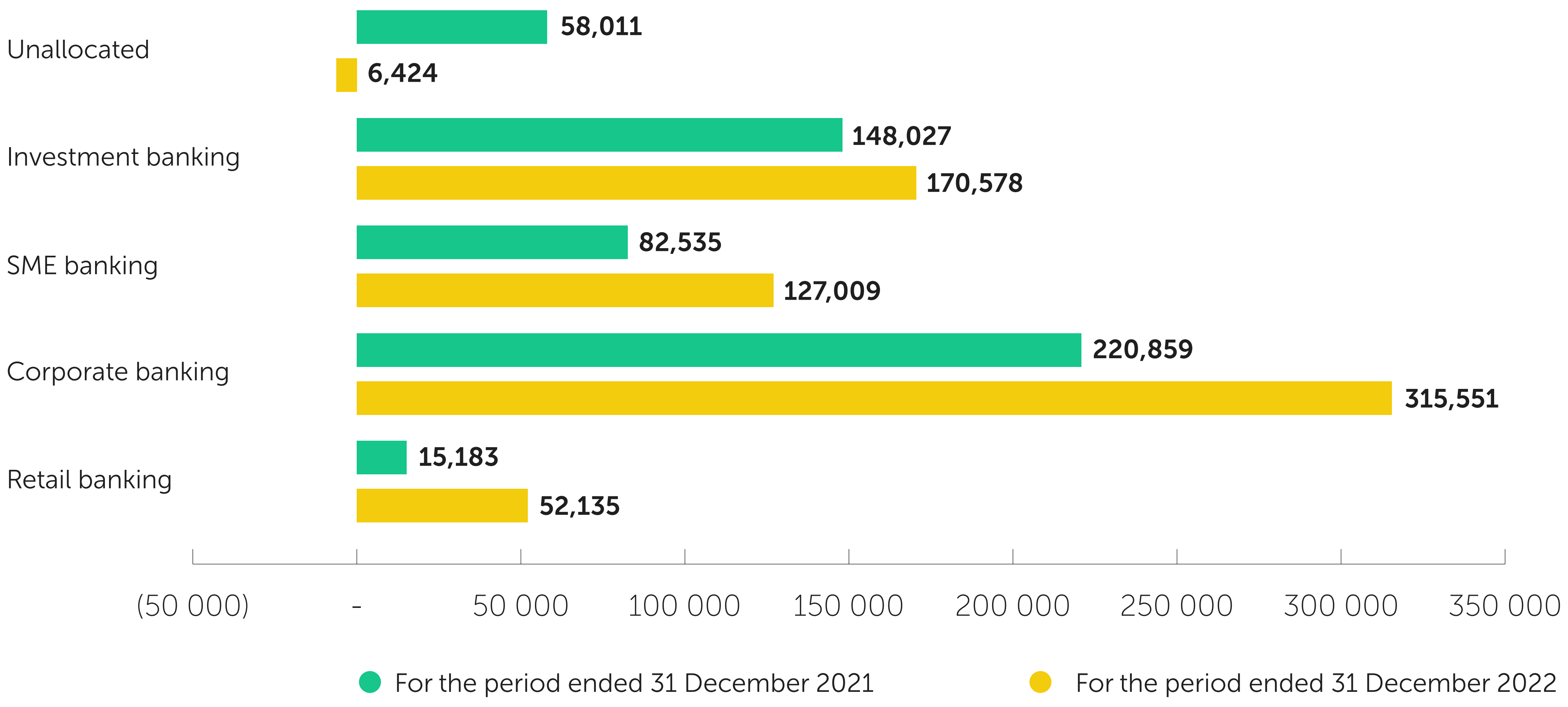
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
Total expenses	(356,627)	(117,900)	(55,054)	(49,242)	(133,210)	(712,033)
Segment result	15,183	220,859	82,535	148,027	58,011	524,615
Income before income tax expense						524,615
Income tax expense					(62,237)	(62,237)
Net income						462,378
Total segment assets	1,800,099	5,192,724	952,993	3,359,699	785,855	12,091,370
Total segment liabilities	4,444,837	3,897,115	1,342,718	516,934	316,162	10,517,766
Other segment items:						
Capital expenditures					(24,665)	(24,665)
Depreciation and amortisation					(14,909)	(14,909)
Investment in associate					33,774	33,774

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021

(Millions of Kazakhstani Tenge)

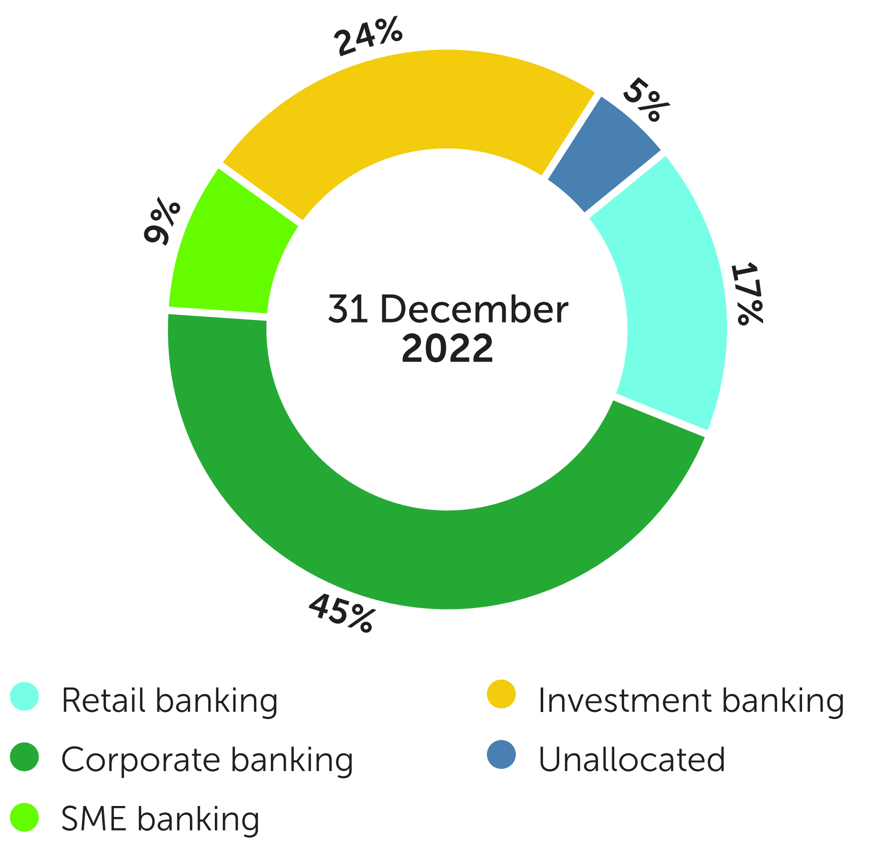
Income before income tax expense by segments were as follows:

Income before income tax expense

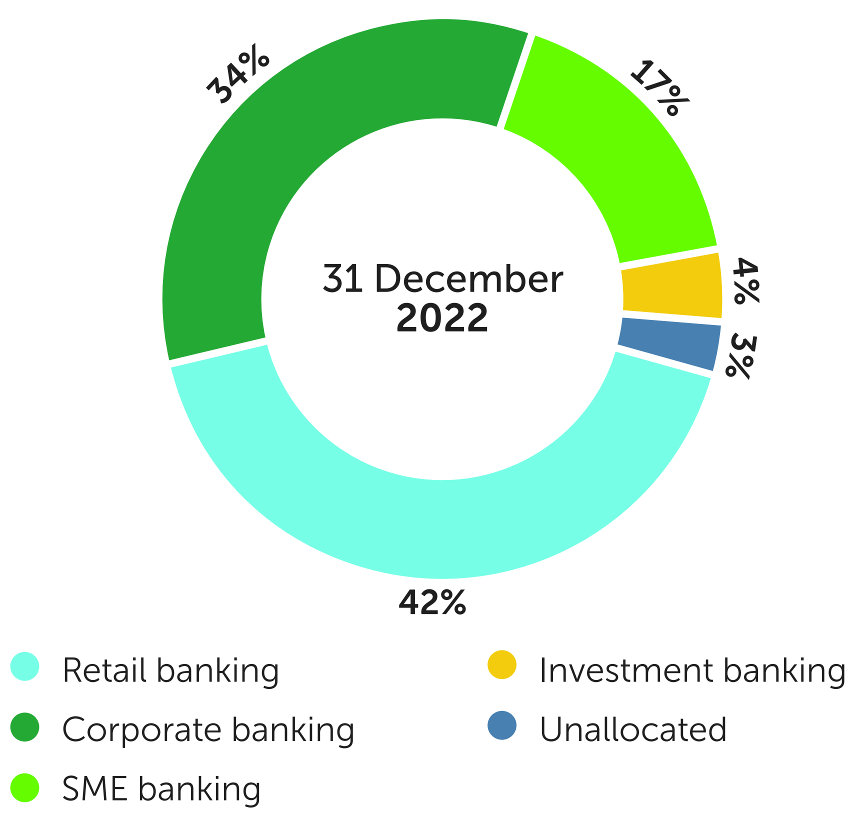


Share of segment assets and liabilities as at 31 December 2022 and 2021 presented as follows:

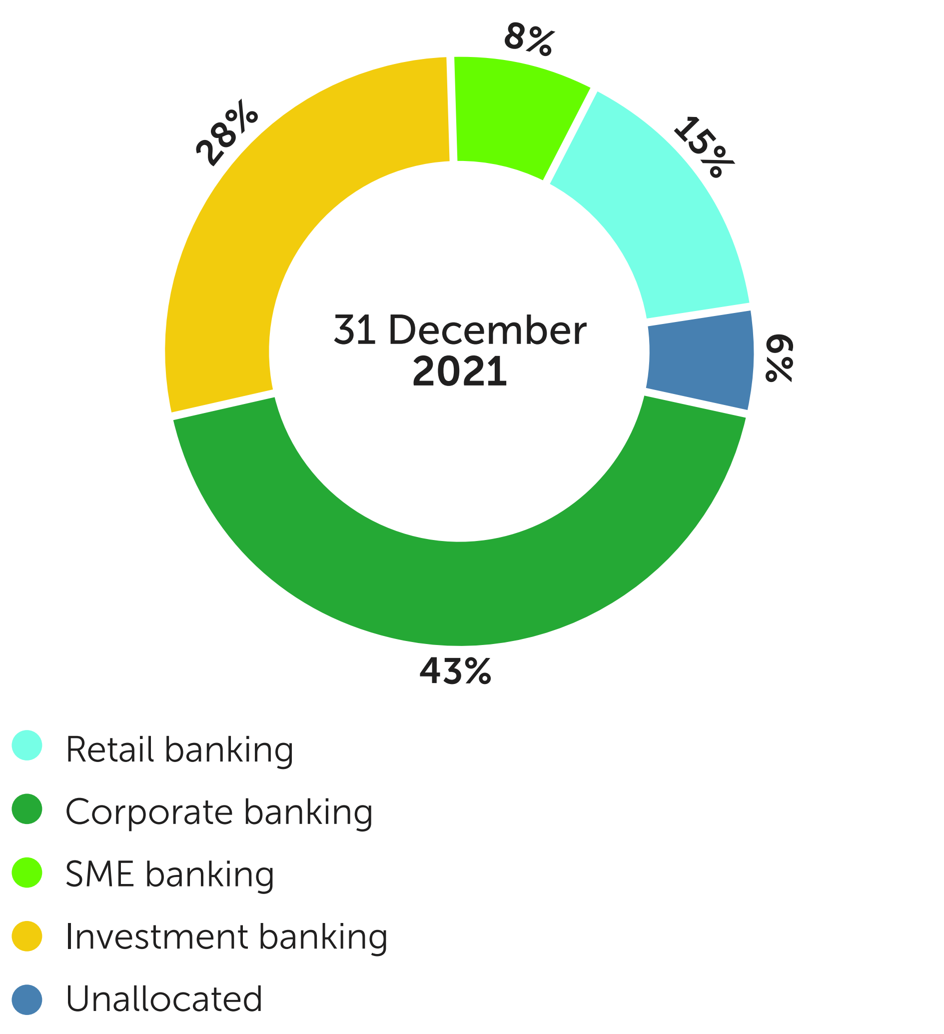
Total segment assets 31 December 2022



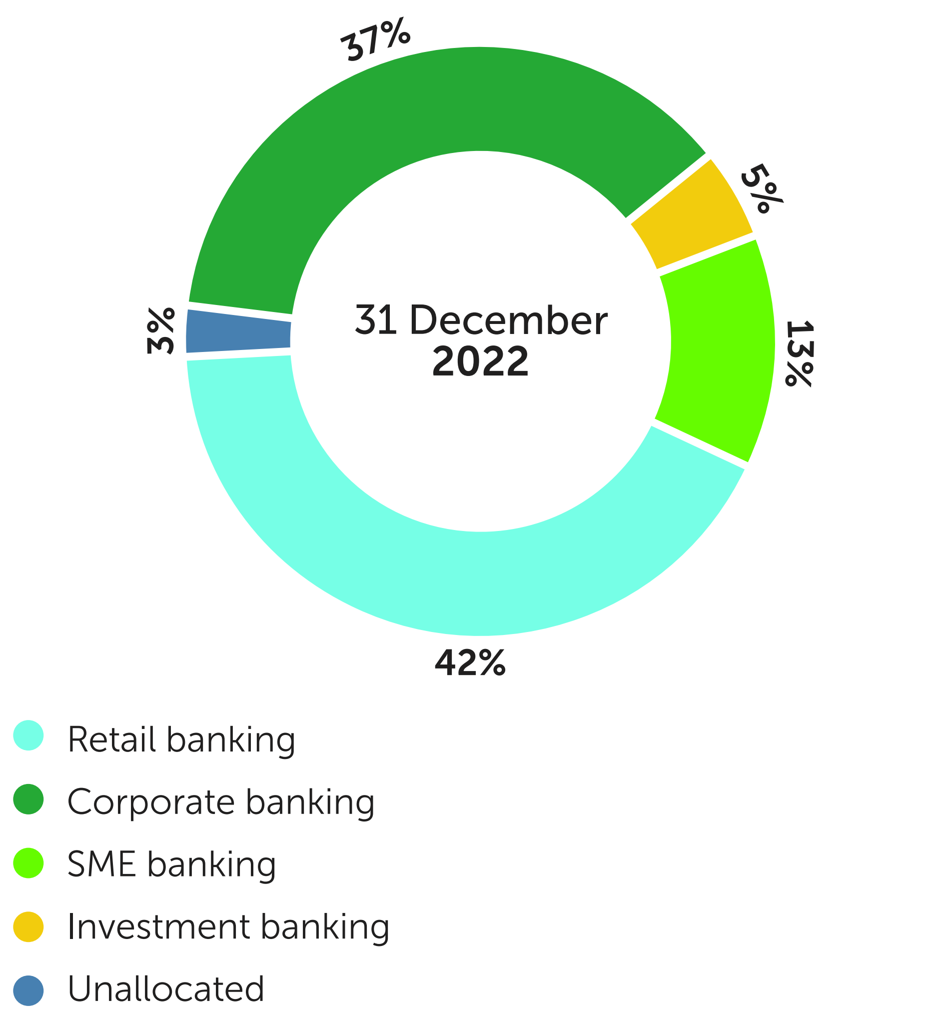
Total segment liabilities 31 December 2022



Total segment assets 31 December 2021



Total segment liabilities 31 December 2021



(Millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2022 and 2021 and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2022				
Total assets	12,512,865	1,187,650	610,857	14,311,372
External revenues	1,691,031	37,511	66,924	1,795,466
Capital expenditure	(30,547)	-	-	(30,547)
2021				
Total assets	10,930,303	514,600	646,467	12,091,370
External revenues	1,176,834	16,881	42,933	1,236,648
Capital expenditure	(24,665)	-	-	(24,665)

External revenues, assets and credit related commitments have generally been allocated based on the domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair values of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

The table below summarises the Group's financial assets and liabilities held at fair value by valuation methodology as at 31 December 2022 and 2021, before any allowances for expected credit losses.

Notes to the Consolidated Financial Statements (Continued) For the years ended 31 December 2022 and 2021
(Millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2022	31 December 2021	Fair value hierarchy			
Non-derivative financial assets at fair value through profit or loss (Note 7)	160,373	111,333	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	170,049	166,357	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	10	10	Level 3	Valuation Valuation model based on internal rating model.	Percentage dis-count	The greater dis-count – the smaller fair value
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	11,736	5,633	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from ob-servable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	342,168	283,333				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	10,628	2,276	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from ob-servable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	10,628	2,276				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	1,735,734	1,271,299	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	373,482	599,628	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	53	750	Level 3	Unquoted equity securities	Percentage dis-count	The greater dis-count – the smaller fair value
Financial assets at fair value through other comprehensive income	2,109,269	1,871,677				

(Millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the years ended 31 December 2022 and 2021.

	Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Level 3)	Non-derivative financial assets at fair value through profit or loss (Level 3)
31 December 2020	63	-
Gain to profit or loss	687	10
31 December 2021	750	10
Settlements*	(697)	-
31 December 2022	53	10

*As at 31 December 2022 and 2021, the settlements include written-off bonds of Kazakhstani corporations.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of the estimated future cash flows, discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows, discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	135,655	145,621	602,125	591,059
Loans to customers	7,857,902	7,410,430	5,872,228	5,694,415
Debt securities at amortised cost, net of allowance for expected credit losses	1,019,089	945,828	1,288,178	1,207,816
Financial liabilities				
Amounts due to customers	10,487,615	10,500,612	8,473,407	8,663,179
Amounts due to credit institutions	878,665	881,765	1,071,642	1,075,090
Debt securities issued	462,817	436,540	499,812	492,293

(Millions of Kazakhstani Tenge)

			31 December 2022	
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets	-	145,621	-	145,621
Amounts due from credit institutions	-	-	7,410,430	7,410,430
Loans to customers	-	945,828	-	945,828
Financial liabilities				
Amounts due to customers	-	10,500,612	-	10,500,612
Amounts due to credit institutions	-	881,765	-	881,765
Debt securities issued	-	436,540	-	436,540

			31 December 2021	
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	591,059	-	591,059
Loans to customers	-	-	5,694,415	5,694,415
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,207,816	-	1,207,816
Financial liabilities				
Amounts due to customers	-	8,663,179	-	8,663,179
Amounts due to credit institutions	-	1,075,090	-	1,075,090
Debt securities issued	-	492,293	-	492,293

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

35. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

During 2022 and 2021, the Group entered into arm-length transactions with entities where the Group's shareholders were one of the participants. Management believes that any control of these entities is with unrelated parties as per IFRS through the level of holding control or trust management arrangements, which are in compliance with Kazakhstan legislation. As such, these transactions are not disclosed as being with related parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties. The Group had the following balances outstanding as at 31 December 2022 and 2021 with related parties:

	31 December 2022		31 December 2021	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	42,676	8,280,290	35,164	6,250,260
- entities with joint control or significant influence over the entity	42,284		35,163	
- key management personnel of the entity or its parent	392		-	
- other related parties	-		1	
Allowance for expected credit losses	(182)	(422,388)	(179)	(378,032)
- entities with joint control or significant influence over the entity	(177)		(179)	
- key management personnel of the entity and its parent	(5)		-	

(Millions of Kazakhstani Tenge)

	31 December 2022		31 December 2021	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Investments in associates	42,005	42,005	33,774	33,774
Amounts due to customers	516,223	10,487,615	415,111	8,473,407
- the parent	434,987		341,847	
- entities with joint control or significant influence over the entity	60,332		31,895	
- key management personnel of the entity or its parent	10,243		12,417	
- other related parties	10,662		28,952	

Included in the consolidated statement of profit or loss for the years ended 31 December 2022 and 2021, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	2,583	1,220,639	3,964	858,243
- entities with joint control or significant influence over the entity	2,561		3,964	
- key management personnel of the entity or its parent	22		-	
Interest expense	(7,813)	(577,445)	(5,158)	(366,792)
- the parent	(3,924)		(3,865)	
- entities with joint control or significant influence over the entity	(3,563)		(404)	
- key management personnel of the entity or its parent	(140)		(160)	
- other related parties	(186)		(729)	
Share in profit of associate	9,708	9,708	6,640	6,640
Operating expenses	2,500	202,159	2,000	176,608
- entities with joint control or significant influence over the entity	2,500		2,000	

	Year ended 31 December 2022		Year ended 31 December 2021	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	3,816	115,817	3,544	105,410
- Salaries and other employee benefits	3,816		3,544	

36. SUBSEQUENT EVENTS

Management has not identified events occurred after 31 December 2022, requiring recognition or disclosure.

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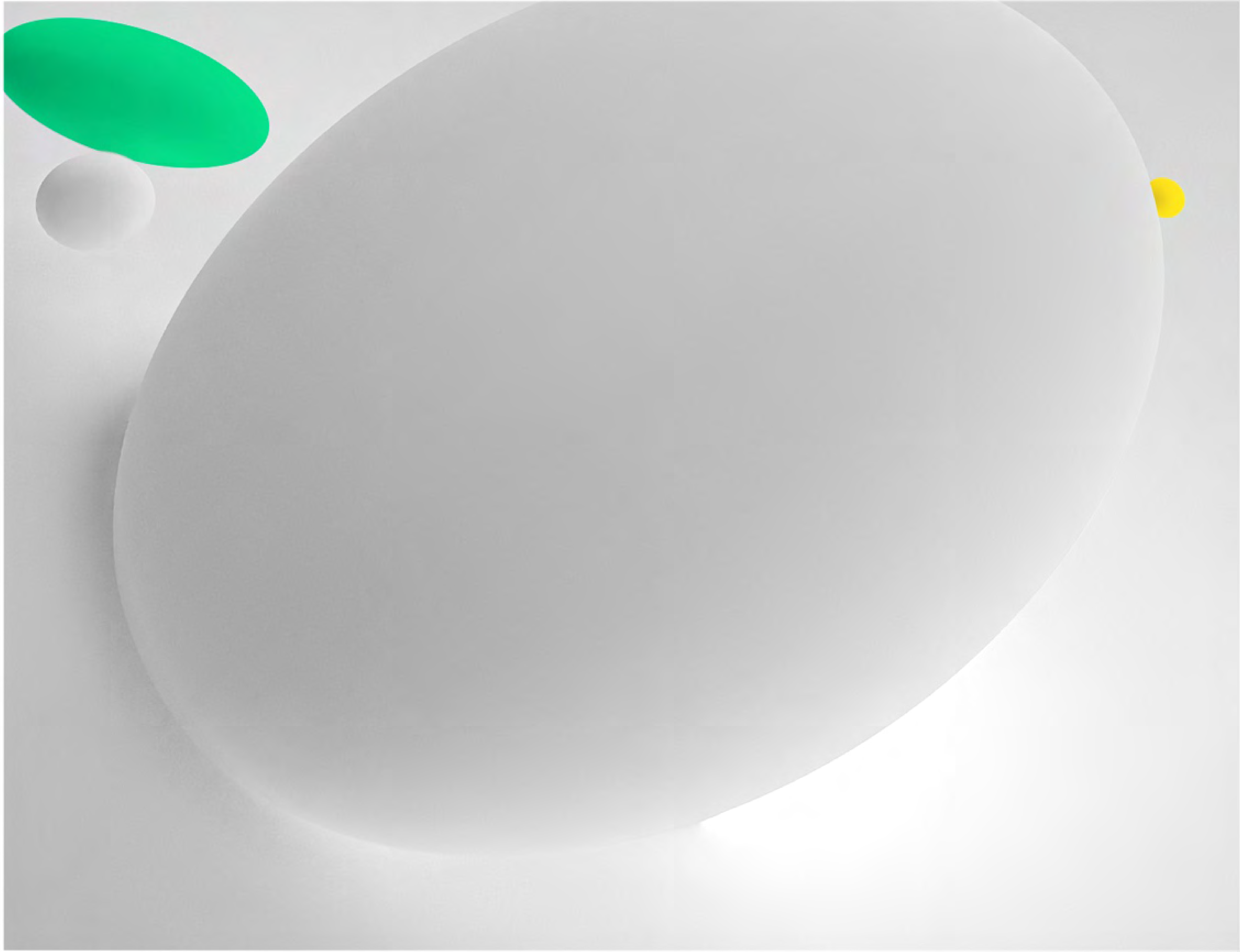
Information for Shareholders



ECOSYSTEMS FORMATION

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INFORMATION FOR SHAREHOLDERS

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Registered with

The Ministry of Justice of the Republic of Kazakhstan

Registration number

3898-1900-AO

Date of re-registration

12 November 2003

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Tel: +7 712 227 0145

EASTERN KAZAKHSTAN REGIONAL BRANCH
57A, Gorky Street, Ust-Kamenogorsk 070004

Tel: +7 723 259 3538

Fax: +7 723 226 8808

ZHAMBYL REGIONAL BRANCH
145, Zhambyl Avenue, Taraz 080000

Tel: +7 726 259 5999

ZHESKAZGAN REGIONAL BRANCH
20, German Titov Street, Zheskazgan 100600

Tel: +7 710 277 8484

WESTERN KAZAKHSTAN REGIONAL BRANCH
194/1, Nursultan Nazarbayev Avenue, Uralsk 090000

Tel: +7 711 259 3920

KARAGANDA REGIONAL BRANCH
56, Tishbek Akhanov Street, Karaganda 100008

Tel: +7 721 258 9222, 256 3677

Fax: +7 721 256 3677

KOSTANAY REGIONAL BRANCH
146, Tawelsizdik Street, Kostanay 110000

Tel: +7 714 259 3388

Fax: +7 714 254 0803

KYZYLORDA REGIONAL BRANCH
91a, Kulyash Baiseitova Street, Kyzylorda 20001

Tel: +7 724 255 0001

MANGISTAU REGIONAL BRANCH
74, Microdistrict 14, Aktau 130000

Tel: +7 729 270 0101

PAVLODAR REGIONAL BRANCH
1/1, Lermontov Street, Pavlodar 140008

Tel: +7 718 259 3685

NORTHERN KAZAKHSTAN REGIONAL BRANCH
36, Konstitutsiya Street, Petropavlovsk 150008

Tel: +7 715 259 5707

SEMEY REGIONAL BRANCH
109, Abaya Kunanbayeva Street, Semey 071400

Tel: +7 722 255 8803

SHYMKENT REGIONAL BRANCH
3/10, Al-Farabi Avenue, Shymkent 160012

Tel: +7 725 258 9779

Fax: +7 725 253 0026

TALDYKORGAN REGIONAL BRANCH
22/1, Karatal microdistrict, Taldykorgan 040000

Tel: +7 728 230 5702

AKMOLA REGIONAL BRANCH
33, Nursultan Nazarbayev Avenue, Kokshetau 020000

Tel: +7 716 259 5472

BAIKONYR REGIONAL BRANCH
16, Gorky Street, Baikonyr 468320

Tel: +7 336 227 6172

Fax: +7 336 227 0233

ZHANAOZEN REGIONAL BRANCH
15, Zhalyn Microdistrict, Zhanaozen 359900

Tel: +7 729 343 4237

EKIBASTUZ REGIONAL BRANCH
49A, Baurzhan Momyshuly Street, Ekibastuz 141200

Tel: +7 718 734 8980

TEMIRTAU REGIONAL BRANCH
26A, Respublika Avenue, Temirtau 101403

Tel: +7 721 393 3101

BALKHASH REGIONAL BRANCH
15a, Sashubaya Koshkarbayeva microregion, Balkhash

Tel: +7 710 367 9822

Fax: +7 710 364 3960

TURKESTAN REGIONAL BRANCH
6, Aiteke bi Street, Turkestan

SUBSIDIARIES

KAZAKHSTAN

HALYK COLLECTION

109 "B", Abay Avenue, Almaty

Tel: +7 727 357 2927

HALYK LEASING

26/118, Masanchi Street, Almaty

Tel: +7 727 239 8798

HALYK FINANCE

109 "B", Abay Avenue, Almaty

Tel: +7 727 339 4377

HALYK GLOBAL MARKETS

109 "B", Abay Avenue, Almaty

Tel: +7 727 339 7271

KAZTELEPORT

109 "B", Abay Avenue, Almaty

Tel: +7 727 364 5151

HALYK FINSERVICE

13th Floor, Block 4B, Nurly Tau PFC, 15, Al-Farabi Avenue, Almaty

HALYK LIFE

109 "B", Abay Avenue, Almaty

Tel: +7 727 244 6222

HALYK INSURANCE COMPANY

109 "B", Abay Avenue, Almaty

Tel: +7 727 250 2222

Tel: +7 727 295 2233 (call centre)

Tel: 797 (free from mobile)

KUSA HALYK

99, Zhamakayev Street, Almaty

Tel: +7 727 232 1450

HALYK AKTIV

Community 293, bld. 77/3, Al-Farabi Avenue, Bostandyksy district, Almaty

Tel: +7 727 311 5166

GEORGIA

HALYK BANK GEORGIA

74, Kostava Street, Tbilisi

Tel: +995 32 224 07 07

KYRGYZSTAN

HALYK BANK KYRGYZSTAN

390, Frunze Street, Bishkek, Kyrgyzstan

Tel: +996 312 614 128

UZBEKISTAN

TENGE BANK

66, Parkentskaya Street, Tashkent 100007

Tel: +998 71 203 8899

USEFUL LINKS

National Bank of the Republic of Kazakhstan

www.nationalbank.kz

The Agency for Financial Market Regulation and Development

www.finreg.kz

Kazakhstan Stock Exchange (KASE)

www.kase.kz

Astana International Exchange

www.aix.kz

London Stock Exchange (LSE)

www.londonstockexchange.com

Financial Conduct Authority (FCA)

www.fca.org.uk

Prudential Regulation Authority (PRA)

http://www.bankofengland.co.uk/pra