



Kazakhstan Housing Company JSC

Financial Statements

for the year ended

31 December 2023

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Independent Auditors' Report

To the Shareholder and Board of Directors of Kazakhstan Housing Company JSC

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Measurement of fair value of financial instruments at initial recognition

Please refer to the Notes 3(e), 8, 14 and 19 in the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>To attract investment for development of infrastructure and business in the regions as part of the state programmes, the Company carries out a number of measures aimed at supporting the economy. During 2023 the Company purchased bonds issued by local executive bodies (LEB) and Kazakhstan bank with nominal value of KZT 154,568,819 thousand (Note 14).</p> <p>Initially the debt financial instruments were recognised at fair value measured by applying relevant market interest rates to discount the future contractual cash flows.</p> <p>We focused on:</p> <ul style="list-style-type: none"> - the estimate of the fair value of financial instruments at initial recognition due to significant judgment involved in arriving at the estimate. <p>Due to significance of these transactions and given the need to apply the above judgments this area is a key audit matter.</p>	<p>We analysed the key aspects of the methodology for calculation of the fair value of financial instruments used by the Company. We assessed the reasonableness, relevance and reliability of data used by management to calculate market rates applied to determine the fair values of the debt financial instruments at initial recognition and compared them to available market information, including with the involvement of our valuation specialists.</p> <p>We also assessed whether the financial statements appropriately disclose the significant assumptions related to the measurement of the fair value of the financial instruments at initial recognition in the financial statements of the Company.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the 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 financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.


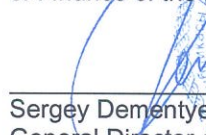
The engagement partner on the audit resulting in this independent auditors' report is:



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

KPMG Audit LLC

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



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

29 February 2024

Kazakhstan Housing Company JSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

	Note	2023 KZT'000	2022 KZT'000
Interest income calculated using effective interest method		152,827,176	140,808,706
Other interest income		13,002,539	13,433,711
Interest expense		(106,998,904)	(103,279,571)
Net interest income	5	58,830,811	50,962,846
Fee and commission income		66,202	42,062
Fee and commission expense		(378,585)	(648,702)
Net fee and commission expense		(312,383)	(606,640)
Net foreign exchange gain/(loss)		4,755,756	(2,425,763)
Net gain on other financial instruments measured at fair value through profit or loss		5,618,145	1,474,558
Gain on guarantees issued	7	1,634,103	2,604,931
Provisions for guarantees issued	20	(1,531,167)	(6,307,198)
Other operating losses	8	(24,080,449)	(6,669,046)
Operating income		44,914,816	39,033,688
Gain on reversal of impairment of debt financial instruments	6	903,602	11,891,503
Personnel expenses	9	(2,769,766)	(2,563,538)
General and administrative expenses	10	(2,165,374)	(1,859,287)
Profit before income tax		40,883,278	46,502,366
Income tax benefit/(expense)	11	966,877	(1,822,668)
Profit and total comprehensive income for the year		41,850,155	44,679,698

The financial statements as set out on pages 7 to 75 were approved by management on 29 February 2024 and were signed on its behalf by:

 <hr style="width: 100%;"/> <p>O. S. Zholdasbayev Acting Chairman of the Management Board</p>	  <hr style="width: 100%;"/> <p>B. D. Sagimkulova Managing Director</p>	 <hr style="width: 100%;"/> <p>A. T. Toktarkozha Chief Accountant</p>
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Kazakhstan Housing Company JSC
Statement of Financial Position as at 31 December 2023

	31 December 2023	31 December 2022
Note	KZT'000	KZT'000
ASSETS		
Cash and cash equivalents	12	305,418,549
Placements with banks and other financial institutions	13	69,064,444
Investment securities:		
- at fair value through profit or loss	14	-
- at amortised cost	14	834,169,819
Loans to customers and long-term receivables from sales of real estate under instalment agreements:		
- at fair value through profit or loss	15	11,028,026
- at amortised cost	15	105,681,741
Finance lease receivables	16	138,842,941
Current tax asset		9,603,172
Assets to be transferred under finance lease agreements		300,471
Property, plant and equipment		3,795,842
Investment property		6,586,560
Non-current assets held for sale		125,389
Other assets		1,578,063
Total assets		1,486,195,017
LIABILITIES		
Debt securities issued	17	807,471,686
Other borrowed funds	18	244,788,616
Government grants	19	138,309,016
Deferred income and provisions for guarantees issued	20	24,922,025
Liability to the Shareholder	21(b)	4,691,377
Deferred tax liability	11	14,330,174
Other liabilities		6,757,273
Total liabilities		1,241,270,167
EQUITY		
Share capital		193,432,016
Share premium		12,661
Treasury shares		(2,597,522)
Additional paid-in capital		3,389,392
Reserve capital		2,734,447
Retained earnings		47,953,856
Total equity		244,924,850
Total equity and liabilities		1,486,195,017

Kazakhstan Housing Company JSC
Statement of Cash Flows for the year ended 31 December 2023

	2023	2022
	KZT'000	KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	106,327,938	99,612,603
Interest payments	(63,196,993)	(63,689,282)
Fee and commission receipts	49,210	40,332
Fee and commission payments	(401,606)	(624,381)
Other expense payments	(39,481)	(415,652)
Personnel expenses paid	(2,600,390)	(2,513,352)
General administrative expense payments	(2,216,191)	(2,214,694)
	37,922,487	30,195,574
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	635,386	13,307,757
Financial assets measured at fair value through profit or loss	2,212,494	483,351
Loans to customers and long-term receivables from sales of real estate under instalment agreements	30,703,749	9,526,392
Assets to be transferred under finance lease agreements	(675,299)	(8,998,223)
Finance lease receivables	14,734,783	16,312,268
Other assets	605,392	(679,280)
Increase/(decrease) in operating liabilities		
Government grants	349,055	(1,572,938)
Deferred income on guarantees issued	1,404,562	1,864,390
Other liabilities	149,351	(255,498)
Net cash flows from operating activities before income tax paid	88,041,960	60,183,793
Income tax paid	(4,807,905)	(116,528)
Cash flows from operating activities	83,234,055	60,067,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(154,568,819)	(206,415,442)
Repayment of investment securities measured at amortised cost	161,233,464	231,793,390
Acquisition of property, plant and equipment and intangible assets	(615,570)	(252,275)
Cash flows from investing activities	6,049,075	25,125,673

Kazakhstan Housing Company JSC
Statement of Cash Flows for the year ended 31 December 2023

	2023 KZT'000	2022 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issue	39,339	3,349,923
Repayment of other borrowed funds	(2,524,407)	-
Dividends paid (Note 21(b))	(26,584,469)	(3,622,294)
Cash flows used in financing activities	(29,069,537)	(272,371)
Net increase in cash and cash equivalents	60,213,593	84,920,567
Effect of movements in expected credit losses on cash and cash equivalents	(77,307)	(13,628)
Effect of movements in exchange rates on cash and cash equivalents	45,092	(42,817)
Cash and cash equivalents at the beginning of the year	245,237,171	160,373,049
Cash and cash equivalents at the end of the year (Note 12)	305,418,549	245,237,171

Kazakhstan Housing Company JSC
Statement of Changes in Equity for the year ended 31 December 2023

KZT'000	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings	Total
Balance at 1 January 2022	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	22,833,838	219,804,832
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	44,679,698	44,679,698
Transactions with owners recorded directly in equity							
Dividends declared and paid (Note 21(b))	-	-	-	-	-	(3,622,294)	(3,622,294)
Distribution to the Shareholder (Note 14)	-	-	-	-	-	(17,685,275)	(17,685,275)
Balance at 31 December 2022	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	46,205,967	243,176,961
Balance at 1 January 2023	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	46,205,967	243,176,961
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	41,850,155	41,850,155
Transactions with owners recorded directly in equity							
Dividends declared (Note 21(b))	-	-	-	-	-	(31,275,846)	(31,275,846)
Distribution to the Shareholder (Note 14)	-	-	-	-	-	(8,826,420)	(8,826,420)
Balance at 31 December 2023	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	47,953,856	244,924,850

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

1 Reporting entity

(a) Organisation and operations

Kazakhstan Housing Company JSC (the “Company”) was established on 29 December 2000 as Mortgage Organisation Kazakhstan Mortgage Company JSC in accordance with the Resolution No.469 of the National Bank of the Republic of Kazakhstan (the “NBRK”) dated 20 December 2000. The principal activity of the Company is extension of the loans in accordance with the license for banking borrowing transactions issued by the authorised body. The Company may additionally perform trust, factoring, forfeiting and leasing operations. The Company is authorised to carry out the following activities:

- investment activity;
- financing and implementation of investment projects including by means of acquiring bonds issued by local executive bodies;
- conditional placements with the second-tier banks and extension of loans to other financial institutions;
- issue and placement of securities including bonds;
- lease of real estate properties including those with an option to purchase;
- granting guarantees for completion of the construction of a multi-storey residential building, its commissioning in the event of a guarantee event and the transfer of shares in the residential building to equity holders;
- extending loans to an authorised organisation designated in accordance with the Law of the Republic of Kazakhstan “On Shared Participation in Housing Construction”, and to legal entities which carry out construction as part of public housing programs;
- subsidising a part of interest rate for mortgage loans issued by second-tier banks to individuals.

On 16 February 2021 the Company obtained a banking license No.4.1.13 to carry out banking lending transactions.

The activities of the Company are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan.

The Company’s registered office is: 55A Mangilik El Avenue, Astana, Z05T3E2, Republic of Kazakhstan.

(b) Shareholders

As at 31 December 2023 and 31 December 2022 the Company is wholly owned by Baiterek National Management Holding JSC (“the Parent”). The party with ultimate control over the Company is the Government of the Republic of Kazakhstan.

(c) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

2 Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards (IFRSs) as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognised prospectively.

Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL – Note 4.
- key assumptions used to calculate provisions under contracts for granting guarantees for construction projects – Note 20.

Assumptions and estimations uncertainty

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

- initial recognition of debt securities acquired – Note 14.
- estimates of fair values of financial assets and liabilities – Note 27.

During 2022, the Company revised its approach to the Methods of charging a loss allowance for finance lease receivables: the Company changed the methods for calculating the amount of loss given default (LGD), which takes into account the value of collateral and planned realisation period of 2 years. Previously LGD was calculated as a ratio of the real estate idle time (in months) equal to a fixed period of 24 months, to the period remaining until the end of a finance lease term (in months). This change has resulted in significant decrease in the amount of loss allowance for finance lease receivables (Note 16).

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge (“Tenge” or “KZT”) – which is the Company’s functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.

3 Material accounting policy

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

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

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

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

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss.

(b) Trust management

One of the activities of the Company is to guarantee the completion of housing construction under tripartite guarantee agreements concluded between the Company, the authorised company and the developer. The subject-matter of the guarantee agreement is the obligations of the authorised company related to housing construction. If a guarantee event occurs, the Company will carry out trust management of 100% of the voting shares (interests in the authorised capital) of the management company in accordance with the trust management agreement.

In order to determine whether the Company has control over the management company, management applies the criteria described in IFRS 10 *Consolidated Financial Statements*. The Company controls an investee if and only if the Company has simultaneously all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Company’s returns.

The Company considers all facts and circumstances when assessing whether it controls an investee. The Company shall reassess whether 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. Consolidation of an investee shall begin from the date the Company obtains control of the investee and cease when the Company loses control of the investee.

(c) Cash and cash equivalents

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

(d) Interest income and expense

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income.

Other interest income captioned presented in the statement of profit or loss and other comprehensive income includes interest income from net investments in finance lease and interest income on debt securities measured at fair value through profit or loss.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measured at amortised cost.

(e) Fee and commission income and expense

(i) Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL at the Company's discretion:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as 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 (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(e)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(ii) *Modification of financial assets and financial liabilities*

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Company due to changes in the NBRK key rate, if the loan agreement entitles the Company to do so.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Company analogises to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Company further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses (Note 3(e)(iii)). In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(d)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment 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 interest 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 of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iii) Impairment

See also Note 4.

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- finance lease receivables;
- financial guarantee contracts issued.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if credit risk on financial instruments has increased significantly upon initial recognition but financial instrument is not credit-impaired) and ‘Stage 3’ (if financial instrument is credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Company expects to recover.

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e)(iii)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired (are referred to as 'Stage 3' 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as decrease in carrying amount of these assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company 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. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(f) Investment securities

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

- debt investment securities measured at amortised cost (see Note 3(e)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see Note 3(e)(i)); these are measured at fair value with changes recognised immediately in profit or loss.

(g) Debt securities issued

Debt securities issued are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(h) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within other borrowed funds. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repurchase agreements within cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method. If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition of the asset. The estimated useful life of investment property is 60 years.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants that compensate the Company for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

Government grant liabilities on financing Nurly Zher Programme will be utilised as far as discount on purchase of local executive bodies' bonds at a low interest rate is recognised, and a part of Government grants will be amortised in interest income on a straight-line basis over the period of 30 years as far as finished flats are recorded on the Company's balance sheet.

(n) Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Such contracts are initially recognised at fair value. After initial recognition, such contracts are measured at the higher of the amount recognised as expected credit losses, and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

(o) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(p) Taxation

Income tax comprises current and deferred tax.

Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax is calculated on the basis of estimated amount of the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and the amount of the liabilities, occurred as a result of the income tax adjustment for the previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised in respect of temporary differences on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

(q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Company); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning from 1 January 2024 and earlier application is permitted; However, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

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

New amendments to the standards effective from 1 January 2023 had no effect on the Company's financial statements.

4 Financial risk review

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 22.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iii).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
<ul style="list-style-type: none"> • Information obtained during periodic review of borrower files – e.g. audited financial statements, management accounts, budgets and projections; • Data from credit reference agencies, press articles, changes in external credit ratings; • Quoted bond and credit default swap (CDS) prices for the issuer where available; • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities. 	<ul style="list-style-type: none"> • Payment record – this includes overdue status; • Requests for and granting of forbearance; • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

To determine the internal credit rating of a counterparty that does not have an external credit rating assigned by the international agencies Standard & Poor's, Fitch Ratings and Moody's Investors Service, the Company uses expert judgement to determine the rating, taking into account the counterparty's specific characteristics including 10 factors such as profitability, liquidity, leverage, country risk, industry characteristics, nature of business, concentration risk, legal regulation, internal data and debts.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs when internal rating of the financial asset downgrades by 2 and more notches and no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Definition of default

The Company considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Company in full; or
- there is a delay in payments of 90 days and more as at the reporting date;
- there is a delay in payments of 7 days and more on interbank claims and securities as at the reporting date;
- the financial instrument has been restructured due to the borrower's financial difficulties, which resulted in decrease in the net present value of the operating cash flows by 10% and more;
- according to information from the publicly available information sources the counterparty is in the state of bankruptcy;
- at the current reporting date, the Company has defaulted on another financial instrument of the counterparty;

- other indicators which evidence the counterparty's impaired ability to fulfil its financial liabilities to the Company and deterioration of the state of financial asset/increased probability of fulfilment by the Company of the contingent liabilities.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the Ministry of National Economy of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and selected private sector and academic forecasters.

Modified financial assets

The contractual terms of a loan agreement may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new instrument at fair value in accordance with the accounting policy set out in Note 3(e)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time). The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(e)(iii)) in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD.

Exposure at default represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD considers the amount claimed, as well as potential future amounts that may be claimed under the contract, which is estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased as from the time of initial recognition, the Company will measure ECLs considering the risk of default over the maximum contractual period (including any extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of a loan or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- financing program.

The groupings must be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Company has limited historical data, external benchmark information will be used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECLs are as follows.

KZT'000	Exposure	External benchmarks used	
		PD	LGD
Cash and cash equivalents	305,418,549		For local credit exposures
Placements with banks and other financial institutions	69,064,444	Moody's default study Probability of default model	LGD statistics is based on recovery after defaults of banks and financial institutions in Kazakhstan
Investment securities measured at amortised cost	834,169,819		
Other financial assets	106,170		

5 Net interest income

	2023 KZT'000	2022 KZT'000
Interest income calculated using effective interest rate method		
Financial assets measured at amortised cost		
Investment securities measured at amortised cost	100,519,869	93,956,859
Reverse repurchase agreements	29,734,140	22,678,096
Loans to customers and long-term receivables from the sale of real estate in instalments	14,170,526	15,994,080
Placements with banks and other financial institutions	6,285,740	4,237,777
Cash and cash equivalents	2,103,782	3,935,898
Other assets	13,119	5,996
	152,827,176	140,808,706
Other interest income		
Finance lease receivables	12,802,950	13,214,056
Investment securities measured at fair value through profit or loss	199,589	219,655
	13,002,539	13,433,711
Interest expense		
Debt securities issued	(88,340,360)	(85,460,719)
Other borrowed funds	(18,658,544)	(17,818,852)
	(106,998,904)	(103,279,571)
Net interest income	58,830,811	50,962,846

Interest income on finance lease receivables for the years ended 31 December 2023 comprises amortisation of government grants of KZT 8,138,803 thousand (2022: KZT 8,133,621 thousand) (Note 19).

6 Gain on reversal of impairment of debt financial instruments

	2023 KZT'000	2022 KZT'000
Loans to customers and long-term receivables from the sale of real estate in instalments (Note 15)	950,682	6,022,946
Placements with banks and other financial institutions (Note 13)	181,669	(19,481)
Cash and cash equivalents (Note 12)	45,092	(13,628)
Other assets	7,641	26,135
Investment securities measured at amortised cost (Note 14)	(131,495)	485,720
Finance lease receivables (Note 16)	(149,987)	5,389,811
	903,602	11,891,503

7 Income from guarantees issued

	2023 KZT'000	2022 KZT'000
Fees under financial guarantee contracts for completion of construction	1,633,935	2,604,576
Financial guarantee fees	168	355
	1,634,103	2,604,931

Fees under financial guarantee contracts for completion of construction recognised for the year ended 31 December 2023 arise from amortisation of fees received under guarantees related to construction companies.

8 Other operating loss

	2023 KZT'000	2022 KZT'000
Loss on recognition of initial discount on acquired long-term securities (Note 14)	(23,876,479)	(28,737,225)
Losses arising on initial recognition of loans issued and receivables from sale of property under instalment agreements	(2,139,331)	(323,256)
Investment property lease expenses	(815,464)	(668,659)
Net loss related to real estate operation	(643,201)	(194,542)
Expenses on recovery of previously deducted penalties	(479,294)	-
Loss on derecognition of financial assets measured at amortised cost	(294,498)	(1,731,428)
Expenses in the form of provisions for contingencies	(221,910)	-
Loss on recognition of initial discount on loans to customers (Note 15)	-	(16,132,736)
Income from utilisation of government grants (Note 19)	2,980,723	39,895,544
Investment property lease income	910,066	775,713
Income from redemption of long-term securities ahead of schedule	528,099	-
Income from repayment of placements with banks and other financial institutions	16,804	77,035
Other (expense)/income	(45,964)	370,508
	(24,080,449)	(6,669,046)

During 2023 the Company purchased local government bonds in the amount of KZT 139,568,819 thousand (2022: KZT 176,415,442 thousand) with maturity in 2024-2025 (Note 14). On initial recognition the difference between the fair value and the acquisition cost in the form of discount amounted to KZT 23,876,479 thousand (2022: KZT 28,737,225 thousand), which was compensated by the use of government grant in the amount of KZT 1,567,918 thousand (2022: KZT 24,409,037 thousand) (Note 19).

During 2023, the Company recognised loss of KZT 2,139,331 thousand on initial recognition of value of loans issued to individuals and legal entities at the below-market rates. The amount comprises expense of KZT 1,851,646 thousand incurred on initial recognition of loan facility to finance the urban development investment project and expense of KZT 287,685 thousand on loans issued to individuals.

During 2023 the Company recognised expenses of KZT 294,498 thousand from refinancing of mortgage loans and writing-off the accounts receivable under lease-purchase agreements as part of the Residential Mortgage Loans (Mortgage Loans) Refinancing Programme approved by the Resolution No.69 of the Management Board of the National Bank of the Republic of Kazakhstan dated 24 April 2015 (2022: KZT 1,731,428 thousand).

9 Personnel expenses

	2023	2022
	KZT'000	KZT'000
Employee benefits	2,506,519	2,325,423
Salary related taxes	263,247	238,115
	2,769,766	2,563,538

10 General administrative expenses

	2023	2022
	KZT'000	KZT'000
Maintenance and repair of property, plant and equipment and intangible assets	547,716	486,455
Outsourcing costs	531,434	464,891
Depreciation and amortisation	328,284	272,038
Communication services	94,264	75,452
Taxes other than income tax	93,580	93,028
Auditor's fee	91,524	82,692
Advertising and marketing	63,180	37,661
Rating assignment/supervision/maintenance expenses	58,435	49,097
Social program expenses	56,171	51,075
Transportation services	49,917	46,932
Information services	44,629	13,518
Business travel	34,784	20,784
Consulting services	28,332	26,296
Employee training and advanced training– external	24,280	21,592
Board of Directors expenses	18,063	36,788
Rent	15,442	14,268
Security	14,113	11,860
Stationery and printing	9,701	7,550
Materials	6,856	16,886
Health and safety costs	2,000	1,900
State Centre for Pension Payments' services expenses	1,790	529
Insurance expenses	1,732	349
Other	49,147	27,646
	2,165,374	1,859,287

The service fee for audit (including review) of the Company's financial statements prepared in accordance with IFRS Accounting Standards as at and for the year ended 31 December 2023 (and review) amounted to KZT 77,700 thousand, net of VAT. The non-audit service fee for support in translation of the financial statements into English and Kazakh, formatting and proofreading amounted to KZT 3,900 thousand, net of VAT. In addition, consulting services comprise expenses on non-audit services provided by one firm of KZT 4,970 thousand, net of VAT.

(a) Trust management

From 16 June 2021 the Company has been a trust manager under tripartite agreement No.2/26 on transfer of state property in the form of the information system Unified Information System of Shared Participation in Housing Construction (the "Agreement") signed by the Company, SE Department of State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan and RSE Committee for Construction, Housing and Utilities of the Ministry of Industry and Infrastructure Development; the Agreement is valid till 16 June 2026. The owner of the property is RSE Committee for Construction, Housing and Utilities of the Ministry of Industry and Construction of the Republic of Kazakhstan.

Total expenses on the information system Unified Information System of Shared Participation in Housing Construction are as follows:

	2023 KZT'000	2022 KZT'000
Software modification services	53,481	53,482
Maintenance and technical support services	20,034	20,034
	73,515	73,516

11 Income tax expense

	2023 KZT'000	2022 KZT'000
Movement in deferred tax assets/liabilities due to origination and reversal of temporary differences and movement in loss allowance	966,877	(1,822,668)
Total income tax expense	966,877	(1,822,668)

In 2023, the applicable tax rate for current and deferred tax is 20% (2022: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2023 KZT'000	%	2022 KZT'000	%
Profit before income tax	40,883,278	100	46,502,366	100
Income tax at the applicable tax rate	(8,176,656)	(20.0)	(9,300,473)	(20.0)
Non-taxable interest income on securities	8,968,040	21.9	6,968,922	15.0
(Non-deductible impairment loss) non-taxable impairment gain	(229,102)	1.5	1,006,659	2.2
Non-taxable income (non-deductible expenses) on recognition of revaluation of financial instruments measured at fair value through profit or loss	608,833	(0.6)	(163,543)	(0.4)
Other non-deductible expenses	(204,238)	(0.5)	(334,233)	(0.7)
	966,877	2.4	(1,822,668)	(3.9)

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

Deferred tax assets and liabilities

Movements in temporary differences for the year ended 31 December 2023 are presented as follows:

KZT'000	1 January 2023	Recognised in profit or loss	Recognised in equity	31 December 2023
Property, plant and equipment	(485,273)	(129,892)	-	(615,165)
Non-current assets held for sale	114,613	(40,996)	-	73,617
Placements with banks and other financial institutions	425,300	(216,665)	-	208,635
Investment securities	56,698,463	(4,205,696)	2,206,605	54,699,372
Loans issued and accounts receivable from instalment sales	5,258,524	(2,296,968)	-	2,961,556
Other assets	2,371	1,802	-	4,173
Other borrowed funds	(56,426,332)	3,280,753	-	(53,145,579)
Government grants	28,540,509	(878,706)	-	27,661,803
Bonds issued	(51,702,729)	5,407,341	-	(46,295,388)
Other liabilities	70,898	45,904	-	116,802
Tax loss carry-forwards	370,994	-	-	370,994
	(17,132,662)	966,877	2,206,605	(13,959,180)
Unrecognised deferred tax asset	(370,994)	-	-	(370,994)
	(17,503,656)	966,877	2,206,605	(14,330,174)

Movements in temporary differences for the year ended 31 December 2022 are presented as follows:

KZT'000	1 January 2022	Recognised in profit or loss	Recognised in equity	31 December 2022
Property, plant and equipment	(302,282)	(182,991)	-	(485,273)
Non-current assets held for sale	146,054	(31,441)	-	114,613
Placements with banks and other financial institutions	627,413	(202,113)	-	425,300
Investment securities	54,076,638	(1,799,494)	4,421,319	56,698,463
Loans issued and accounts receivable from instalment sales	4,222,302	1,036,222	-	5,258,524
Other assets	861	1,510	-	2,371
Other borrowed funds	(59,491,383)	3,065,051	-	(56,426,332)
Government grants	36,464,927	(7,924,418)	-	28,540,509
Bonds issued	(55,932,529)	4,229,800	-	(51,702,729)
Other liabilities	85,692	(14,794)	-	70,898
Tax loss carry-forwards	370,994	-	-	370,994
	(19,731,313)	(1,822,668)	4,421,319	(17,132,662)
Unrecognised deferred tax asset	(370,994)	-	-	(370,994)
	(20,102,307)	(1,822,668)	4,421,319	(17,503,656)

12 Cash and cash equivalents

KZT'000	31 December 2023			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Nostro accounts with NBRK	76,794,128	-	-	76,794,128
Nostro accounts with other banks				
rated BBB	3,116,669	-	-	3,116,669
rated BBB-	6,275,144	-	-	6,275,144
rated BB	378,580	-	-	378,580
rated BB-	46,538	-	-	46,538
Not rated	6	-	-	6
Total gross nostro accounts with banks	86,611,065	-	-	86,611,065
Reverse repurchase agreements rated from BBB- to BBB+	218,888,397	-	-	218,888,397
Gross cash and cash equivalents	305,499,462	-	-	305,499,462
Loss allowance	(80,913)	-	-	(80,913)
Total cash and cash equivalents	305,418,549	-	-	305,418,549

KZT'000	31 December 2022			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Nostro accounts with NBRK	54,814,333	-	-	54,814,333
Nostro accounts with other banks				
rated BBB	18,433,204	-	-	18,433,204
rated BBB-	13,650,300	-	-	13,650,300
rated BB	41,376	-	-	41,376
rated BB-	451	-	-	451
rated B+	77,130	-	-	77,130
rated B-	2	-	-	2
Not rated	354,219	-	-	354,219
Total gross nostro accounts with banks	87,371,015	-	-	87,371,015
Reverse repurchase agreements rated from BBB- to BBB+	157,992,173	-	-	157,992,173
Gross cash and cash equivalents	245,363,188	-	-	245,363,188
Loss allowance	(126,017)	-	-	(126,017)
Total cash and cash equivalents	245,237,171	-	-	245,237,171

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

As at 31 December 2023 the Company has one counterparty (31 December 2022: one counterparty), whose balances exceed 10% of equity. The gross value of this balance as at 31 December 2023 is KZT 76,794,128 thousand (31 December 2022: KZT 54,814,333 thousand).

During 2023, the Company entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange. These transactions are collateralised with the treasury bonds of the Ministry of Finance of the Republic of Kazakhstan. As at 31 December 2023 the fair value of financial assets collateralising reverse repurchase agreements is KZT 218,888,397 thousand (31 December 2022: KZT 157,992,173 thousand).

Analysis of movements in loss allowance

KZT'000	For the year ended 31 December 2023			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Balance at 1 January	126,017	-	-	126,017
Net recovery of loss allowance	(45,092)	-	-	(45,092)
Movements in foreign exchange rates and other movements	(12)	-	-	(12)
Balance at the end of the period	80,913	-	-	80,913

KZT'000	For the year ended 31 December 2022			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Balance at 1 January	112,258	-	-	112,258
Net recovery of loss allowance	13,628	-	-	13,628
Movements in foreign exchange rates and other movements	131	-	-	131
Balance at the end of the period	126,017	-	-	126,017

13 Placements with banks and other financial institutions

KZT'000	31 December 2023			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Term deposits				
rated BB	50,027,397	-	-	50,027,397
	50,027,397	-	-	50,027,397
Loans				
rated BBB	19,056,824	-	-	19,056,824
Gross placements with banks and other financial institutions	69,084,221	-	-	69,084,221
Impairment allowance	(19,777)	-	-	(19,777)
Net placements with banks and other financial institutions	69,064,444	-	-	69,064,444

31 December 2022				
KZT'000	Lifetime ECL -			Total
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	
Term deposits				
rated BBB-	664,961	-	-	664,961
Not rated	50,013,699	-	-	50,013,699
	50,678,660	-	-	50,678,660
Loans				
rated BBB-	17,973,500	-	-	17,973,500
Gross placements with banks and other financial institutions	68,652,160	-	-	68,652,160
Impairment allowance	(201,480)	-	-	(201,480)
Net placements with banks and other financial institutions	68,450,680	-	-	68,450,680

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

As at 31 December 2023 the Company has one counterparty (31 December 2022: one counterparty), whose balances exceed 10% of equity. The gross value of this balance as at 31 December 2023 is KZT 50,027,397 thousand (31 December 2022: KZT 50,013,699 thousand).

None of the balances of placements are past due.

During the year ended 31 December 2023 the Company closed a USD-denominated bank deposit.

As at 31 December 2023 the Company has KZT-denominated term deposits bearing interest rate of 10.0% p.a. (2022: 10.0% p.a.) and maturing in February 2024.

During the reporting year ended 31 December 2022 the Company placed a term deposit for the total amount of KZT 50,000,000 thousand with a Kazakhstan bank. Under the terms and conditions of the agreement, a deposit can be withdrawn in full or in part before the maturity date.

Analysis of movements in loss allowance

For the year ended 31 December 2023				
KZT'000	Lifetime ECL -			Total
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	
Balance at 1 January	201,480	-	-	201,480
Net recovery of loss allowance	(181,669)	-	-	(181,669)
Movements in foreign exchange rates and other movements	(34)	-	-	(34)
Balance at the end of the period	19,777	-	-	19,777

For the year ended 31 December 2022				
KZT'000	Lifetime ECL -			Total
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	
Balance at 1 January	181,938	-	-	181,938
Net recovery of loss allowance	(173,698)	-	-	(173,698)
New financial assets originated or purchased	193,179	-	-	193,179
Movements in foreign exchange rates and other movements	61	-	-	61
Balance at the end of the period	201,480	-	-	201,480

14 Investment securities

	31 December 2023 KZT'000	31 December 2022 KZT'000
Investment securities measured at fair value through profit or loss		
Corporate bonds rated from B- to B+	-	2,171,971
	-	2,171,971

	31 December 2023			Total
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL on credit-impaired assets	
KZT'000				
Investment securities measured at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,462,800	-	-	1,462,800
Corporate bonds rated BBB	13,368,277	-	-	13,368,277
Corporate bonds issued by second-tier banks rated B	10,960,534	-	-	10,960,534
Bonds issued by local executive bodies (LEB)	808,973,997	-	-	808,973,997
Corporate bonds not rated	-	-	1,117,796	1,117,796
	834,765,608	-	1,117,796	835,883,404
Loss allowance	(595,789)	-	(1,117,796)	(1,713,585)
Carrying amount	834,169,819	-	-	834,169,819

	31 December 2022			Total
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL on credit-impaired assets	
KZT'000				
Investment securities measured at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,471,431	-	-	1,471,431
Corporate bonds rated BBB	7,895,791	-	-	7,895,791
Corporate bonds issued by second-tier banks rated B	10,968,793	-	-	10,968,793
Bonds issued by local executive bodies (LEB)	811,205,689	-	-	811,205,689
Corporate bonds not rated	-	-	1,117,796	1,117,796
	831,541,704	-	1,117,796	832,659,500
Loss allowance	(464,294)	-	(1,117,796)	(1,582,090)
Carrying amount	831,077,410	-	-	831,077,410

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

During the reporting year, the Company acquired 139,568,819 bonds of the local executive bodies at a price of KZT 1,000 per bond, which mature in the years of 2024-2025. The bond coupon rates were 0.35% and 4.25% p.a.

The bonds were recognised at the fair value of KZT 115,692,340 thousand, which was calculated using market interest rates ranging from 13.28% to 16.27% p.a. The discount on initial recognition amounted to KZT 23,876,479 thousand and was recognised in other operating expenses in the statement of profit or loss and other comprehensive income (Note 8) and was partially compensated through decrease in the liability for government grant received to purchase those bonds in the amount of KZT 1,567,918 thousand (Note 19).

During the reporting year ended 31 December 2023, the local executive bodies redeemed bonds for a total of KZT 161,233,464 thousand. The discount recalculated due to the partial/full early redemption of bonds issued by the local executive bodies, for a total of KZT 69,723,364 thousand, amounted to KZT 1,020,131 thousand and was recognised as government grants (Note 19).

As at 31 December 2023, corporate bonds consist of interest-bearing securities issued by local companies and banks. These securities are traded freely on Kazakhstan Stock Exchange ("KASE") except for bonds issued by Kazakhstan Kagazy JSC ("KK") with the gross carrying amount of KZT 1,117,796 thousand (31 December 2022: KZT 1,117,796 thousand).

As at 31 December 2023 and 2022, the Company considers these bonds to be fully impaired, as the Company believes, based on its assessment of the issuers' financial position, that future cash flows are no longer expected to occur on these assets.

In accordance with the decision of the shareholder during the reporting period the Company acquired coupon bonds issued by the Kazakhstani bank at a price of KZT 1,000 per bond, numbering 15,000,000 bonds; a bond's coupon rate is 0.50% p.a. and bonds mature in 2035. The bonds were recognised at fair value of KZT 3,966,976 thousand, calculated using the market interest rate of 12.84% p.a., that resulted in the recognition of a discount on initial recognition of KZT 8,826,420 thousand, net of deferred taxes, directly in retained earnings accounts, in equity.

During 2022, the Company acquired coupon bonds issued by the Kazakhstani bank at a price of KZT 1,000 per bond, numbering 30,000,000 bonds; a bond's coupon rate is 0.50% p.a. and bonds mature in 2034. The bonds were recognised at fair value of KZT 7,893,406 thousand, calculated using the market interest rate of 13.48% p.a., that resulted in the recognition of a discount on initial recognition of KZT 17,685,275 thousand, net of deferred taxes, directly in retained earnings accounts, in equity.

Analysis of movements in loss allowance

KZT'000	For the year ended 31 December 2023		
	12-month ECL	Lifetime ECL – credit-impaired	Total
Balance at 1 January	464,294	1,117,796	1,582,090
Net remeasurement of loss allowance	43,565	-	43,565
New financial assets originated or purchased	87,930	-	87,930
Impairment allowance as at the end of the period	595,789	1,117,796	1,713,585

KZT'000	For the year ended 31 December 2022		
	12-month ECL	Lifetime ECL – credit-impaired	Total
Balance at 1 January	950,014	1,117,796	2,067,810
Net remeasurement of loss allowance	(580,635)	-	(580,635)
New financial assets originated or purchased	94,915	-	94,915
Impairment allowance as at the end of the period	464,294	1,117,796	1,582,090

15 Loans to customers and long-term receivables from sale of property under instalment agreements

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loan portfolio comprises KZT-denominated mortgage loans extended to individuals, citizens of the Republic of Kazakhstan.

	31 December 2023 KZT'000	31 December 2022 KZT'000
Loans and long-term receivables from instalment sales of property, measured at amortised cost		
Loan from Yelorda Kurylys Companiyasy LLP	53,330,839	47,264,939
Loans to corporate customers	3,251,706	-
Long-term receivables from instalment sales of property to legal entities	2,581,058	24,292,427
Total loans and long-term receivables from instalment sales of property to legal entities	59,163,603	71,557,366
Mortgage loans to individuals	38,518,760	49,455,170
Long-term receivables from instalment sales of property to individuals	9,658,034	10,728,932
Total mortgage loans and long-term receivables from instalment sales of property to individuals	48,176,794	60,184,102
	107,340,397	131,741,468
Loss allowance	(1,658,656)	(4,844,718)
Loans to customers and long-term receivables from instalment sales of property, measured at amortised cost, net of impairment allowance	105,681,741	126,896,750
Loans to customers measured at fair value through profit or loss	11,028,026	4,523,388
Total loans to customers and long-term receivables from instalment sales of property	116,709,767	131,420,138

During the years ended 31 December 2023 and 31 December 2022, the Company had not acquired mortgage loan portfolios from commercial banks.

In December 2021, the Company provided two KZT- denominated tranches of long-term loans issued to CG Land LLP, totalling KZT 31,100,000 thousand. The loans bear nominal rates of 1.00% and 11.43% p.a., and mature in 2028 and 2029, respectively. The Company received a 200-hectare land plot in the Almaty region pledged as collateral to secure the performance of obligations.

Management assessed that contractual cash flows were not solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) on these loans and designated it as measured at fair value through profit or loss.

The fair value of these loans at initial recognition was measured as the present value of all future cash flows discounted using a market interest rate of 23.74% p.a. The difference between the nominal and fair value of the loans at the date of initial recognition of KZT 27,512,212 thousand was recognised in the statement of profit or loss and other comprehensive income, in the caption ‘Loss on initial recognition of loans to customers measured at fair value through profit or loss’.

In December 2022, CG Land LLP early repaid the portion of the principal amount, totalling KZT 481,548 thousand.

The fair value of these loans at as at reporting date was measured as the present value of all future cash flows discounted using a market interest rate of 26.66% p.a.

During 2022, the Company concluded an additional agreement with Yelorda Kurylys Companiyasy LLP and Akimat (Mayor’s Office) of the city of Astana, based on the resolution of the Council for the Management of the National Fund of the Republic of Kazakhstan. Due to the substantial modification of the terms of the agreement, the Company derecognised the old loan and recognised the new financial asset. Accordingly, the loan was discounted to its present value at the date of the additional agreement, using the market interest rate of 13.25% p.a., that resulted in the recognition of the effect of modification of the terms of the agreement, totalling KZT 8,552,902 thousand, against the government grant (Note 19).

During 2022, the Company and Yelorda Kurylys Companiyasy LLP entered into a supplemental agreements to the master loan agreement, whereby the Company extended several loan tranches for a total of KZT 20,000,000 thousand, intended to complete distressed shared-ownership construction projects in the city of Astana. At initial recognition, these tranches were recorded at their fair value, using the market interest rates of 13.58%-13.74% p.a.

In 2023, the Company entered into a credit line agreement aimed to provide financing for an urban development investment project, to be implemented in conformity with the relevant standard of integrated development of territories in Astana city, in the amount of KZT 10,500,000 thousand. A facility bears a nominal interest rate of 4.25% p.a. and matures in 2026. During the reporting period, the Company issued two tranches under the credit line, for a total of KZT 4,947,113 thousand.

The Company assessed that contractual cash flows were solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) on these loans and classified it as measured at amortised cost.

On initial recognition, these tranches were recorded at the fair value, using the market interest rates of 23.40%-23.50% p.a., that resulted in the recognition of the discount of KZT 1,851,646 thousand, of which the amount of KZT 1,412,806 thousand was offset by the government grant (Note 19).

Given that a guarantee event related to the construction project being underway in Atyrau city has occurred, the Company entered into a credit line agreement of KZT 2,611,855 thousand, aimed to provide financing for completion of the construction project; the loan bears an interest rate of 11.42% p.a. The Company received two tranches under the credit line, for a total of KZT 1,006,813 thousand.

Management assessed that contractual cash flows were not solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) on these loans and classified it as measured at fair value through profit or loss.

The fair value of these loans at initial recognition was estimated as the present value of all future cash flows, discounted using market interest rates of 26.63%-26.77% p.a. The difference between the nominal value and fair value of the loans at the date of initial recognition, in the amount of KZT 165,095 thousand was recognised in the statement of profit or loss and other comprehensive income.

(a) Credit quality of mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

The following table provides information on the credit quality of mortgage loans to customers as at 31 December 2023 and 31 December 2022:

31 December 2023					
KZT'000	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	Acquired assets, credit-impaired on initial recognition	Total
- not overdue	38,391,782	889,865	4,104,422	168,710	43,554,779
- overdue up to 30 days	890,039	153,286	425,828	43,088	1,512,241
- overdue 30-89 days	-	475,006	1,370,264	5,868	1,851,138
- overdue 90-179 days	-	-	639,702	2,603	642,305
- overdue 180-360 days	-	-	261,831	4,727	266,558
- overdue more than 360 days	-	-	333,450	16,323	349,773
	39,281,821	1,518,157	7,135,497	241,319	48,176,794
Loss allowance	(167,092)	(40,940)	(1,299,014)	(7,249)	(1,514,295)
Carrying amount	39,114,729	1,477,217	5,836,483	234,070	46,662,499

31 December 2022					
KZT'000	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	Acquired assets, credit-impaired on initial recognition	Total
- not overdue	46,850,259	1,117,291	3,832,452	176,280	51,976,282
- overdue up to 30 days	1,129,442	369,074	536,152	68,152	2,102,820
- overdue 30-89 days	-	612,598	429,781	18,678	1,061,057
- overdue 90-179 days	-	-	1,233,045	66,740	1,299,785
- overdue 180-360 days	-	-	530,416	18,942	549,358
- overdue more than 360 days	-	-	3,194,800	-	3,194,800
	47,979,701	2,098,963	9,756,646	348,792	60,184,102
Loss allowance	(626,420)	(100,010)	(3,525,313)	(17,072)	(4,268,815)
Carrying amount	47,353,281	1,998,953	6,231,333	331,720	55,915,287

As at 31 December 2023, the carrying amount of loans with the seller's full-recourse option was KZT 1,620,944 (31 December 2022: KZT 2,401,145thousand).

In accordance with partial-recourse agreements, the recourse option does not exceed 20% of the total principal amount of mortgage loans at the date of purchase of those loans.

Key assumptions and judgements used to estimate loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

In determining the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements, management used the following key assumptions:

- The 12-month PDs for the groups of segments classified as Stage 1 exposures were estimated at 2.6% - 15.3%; the lifetime PDs for groups of segments classified as Stage 2 exposures were estimated at 5.4% - 97.8%, depending on the group of segments of the homogeneous mortgage portfolio.
- The LGD parameters for the segments of the homogeneous mortgage portfolio classified as Stages 1 and 2 exposures were estimated at 0% to 62.5%, depending on the segments of the homogeneous mortgage portfolio.

Changes in these estimates could affect the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements as at 31 December 2023 would be KZT 1,399,875 thousand lower/higher (31 December 2022: KZT 1,677,459 thousand).

(b) Analysis of movements in the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

Movements in the loss allowance are as follows:

KZT'000	For the year ended 31 December 2023				Total
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	Acquired assets, credit-impaired on initial recognition	
Loss allowance as at the beginning of the period	626,420	100,010	3,525,313	17,072	4,268,815
Transfer to Stage 1	8,155	(6,224)	(1,931)	-	-
Transfer to Stage 2	(11,496)	13,424	(1,928)	-	-
Transfer to Stage 3	(18,776)	(22,628)	41,404	-	-
Net remeasurement of loss allowance	(437,211)	(43,642)	(28,464)	(9,823)	(519,140)
New financial assets originated or purchased	-	-	-	-	-
Transfers of new originated loans to other stages	-	-	-	-	-
Write-off	-	-	(2,209,835)	-	(2,209,835)
Unwinding of discount/ other changes	-	-	(25,545)	-	(25,545)
Loss allowance as at the end of the period	167,092	40,940	1,299,014	7,249	1,514,295

KZT'000	For the year ended 31 December 2022				Total
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	Acquired assets, credit- impaired on initial recognition	
Loss allowance as at the beginning of the period	1,210,724	240,015	3,421,734	3,645	4,876,118
Transfer to Stage 1	16,487	(14,655)	(1,832)	-	-
Transfer to Stage 2	(34,511)	40,053	(5,542)	-	-
Transfer to Stage 3	(37,972)	(93,802)	131,774	-	-
Net remeasurement of loss allowance	(532,872)	(71,606)	(14,564)	6,632	(612,410)
New financial assets originated or purchased	6,198	-	-	6,837	13,035
Transfers of new originated loans to other stages	-	-	-	-	-
Unwinding of discount/ other changes	(1,634)	5	(6,257)	(42)	(7,928)
Loss allowance as at the end of the period	626,420	100,010	3,525,313	17,072	4,268,815

The significant changes in the gross carrying amount of the mortgage portfolio and long-term receivables from sale of property to individuals under instalment agreements are further explained below:

KZT'000	For the year ended 31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	47,979,701	2,098,963	9,756,646	348,792	60,184,102
Transfer to Stage 1	(1,420,304)	850,356	569,948	-	-
Transfer to Stage 2	691,696	(1,038,241)	346,545	-	-
Transfer to Stage 3	959,408	391,817	(1,351,225)	-	-
New financial assets originated or purchased	760,197	-	-	-	760,197
Transfers of new loans originated or purchased between stages	(372,099)	13,189	358,910	-	-
Repayments (early or partial repayment)	(9,316,777)	(797,926)	(337,040)	(107,473)	(10,559,216)
Write-offs	-	-	(2,208,289)	-	(2,208,289)
Balance at 31 December	39,281,822	1,518,158	7,135,495	241,319	48,176,794

KZT'000	For the year ended 31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	64,618,610	2,684,281	8,309,211	86,367	75,698,469
Transfer to Stage 1	847,145	(731,084)	(116,061)	-	-
Transfer to Stage 2	(1,547,452)	1,653,976	(106,524)	-	-
Transfer to Stage 3	(1,776,801)	(1,098,346)	2,875,147	-	-
New financial assets originated or purchased	1,600,522	-	-	366,416	1,966,938
Transfers of new loans originated or purchased between stages	(47,942)	28,082	19,860	-	-
Repayments (early or partial repayment)	(15,646,930)	(437,476)	(1,206,606)	(103,991)	(17,395,003)
Write-offs	(67,451)	(470)	(18,381)	-	(86,302)
Balance at 31 December	47,979,701	2,098,963	9,756,646	348,792	60,184,102

(c) Analysis of collateral for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

Mortgage-term loans are secured by the underlying real estate properties.

For loans with the seller's recourse option, the commercial banks-partners are responsible for monitoring collateral on a regular basis, in accordance with the requirements of the NBRK. The recoverability of these loans is primarily dependent on the creditworthiness of the commercial banks-partners rather than the value of collateral, and the current value of the collateral has lesser impact on the impairment assessment.

The following tables provide information on the fair value of collateral securing mortgage loans (net of impairment allowance):

KZT'000	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of the reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
31 December 2023				
Not credit-impaired loans	40,591,946	40,422,757	169,189	-
Credit-impaired loans	6,070,553	5,819,186	251,367	-
	46,662,499	46,241,943	420,556	-
31 December 2022				
Not credit-impaired loans	49,352,234	48,202,369	1,149,865	-
Credit-impaired loans	6,563,053	6,436,296	126,757	-
	55,915,287	54,638,665	1,276,622	-

The tables above exclude overcollateralisation.

The Company updates the appraised values of collateral obtained at inception of the loan to the present value, taking into account the approximate changes in property values. The Company may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment.

Repossessed collateral

The Company obtained certain assets by taking possession of collateral for loans to retail customers. As at 31 December 2023, the carrying amount of such assets was KZT 222,755 thousand (2022: KZT222,755 thousand).

The Company's policy is to sell these assets as soon as it is practicable.

(d) Credit quality of loans to customers and long-term receivables from sale of property to legal entities under instalment agreements

KZT'000	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans issued				
Yelorda Kurylys Companiyasy LLP – internally rated BBB	53,330,839	-	-	53,330,839
Corporate customers – internally rated CC	3,251,706	-	-	3,251,706
Long-term receivables from sale of apartments located on the grounds of ISE EXPO-2017				
Astana IT University LLP – internally rated CCC	2,581,058	-	-	2,581,058
Total loans issued and receivables from instalment sales of property	59,163,603	-	-	59,163,603
Loss allowance	(144,361)	-	-	(144,361)
	59,019,242	-	-	59,019,242

KZT'000	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans issued				
Yelorda Kurylys Companiyasy LLP – internally rated BBB	47,264,939	-	-	47,264,939
Receivables from instalment sales				
Mega Plaza LLP – internally rated CCC	20,652,897	-	-	20,652,897
Long-term receivables from sale of apartments located on the grounds of ISE EXPO-2017				
Astana IT University LLP – internally rated CCC	3,024,438	-	-	3,024,438
Non-Profit Organisation Umit Fund– internally rated D	-	-	615,092	615,092
Total loans issued and receivables from instalment sales of property	70,942,274	-	615,092	71,557,366
Loss allowance	(197,007)	-	(378,896)	(575,903)
	70,745,267	-	236,196	70,981,463

During the year ended 31 December 2023, Mega Plaza LLP repaid in full principal and interest on receivables from instalment sales. The discount recalculated due to the partial early repayment of the loan amounted to KZT 5,667,718 thousand and was recognised as government grants (Note 19).

During the year ended 31 December 2023, NPO Umit Fund fully repaid, ahead of schedule, principal and interest on receivables from sale of apartments.

Sale of apartments located on the grounds of ISE EXPO-2017 to individuals and legal entities under instalment agreements provides for that long-term receivables are to be secured by the sold real estate (apartments, parking lots) registered as collateral.

An instalment sale of property to individuals is subject to the following terms: an initial contribution makes up at least 20% of the loan value; a guarantee deposit makes up at least three monthly payments; a loan carries an annual interest rate of 3% and matures in 12 years; the contract provides for an early partial repayment and early full repayment of the loan, with no commission to be charged. To discount cash flows from instalment contracts concluded with individuals, the Company used an average interest rate applied by second-tier banks for mortgage loans to individuals, using a market interest rate of 14.3% on initial recognition.

An instalment sale of property to legal entities is subject to the following terms: a loan carries an annual interest rate of 2% and matures in 10 years; the contract provides for an early partial repayment and early full repayment of the loan, with no commission to be charged. To discount cash flows from instalment contracts concluded with legal entities, the Company used the statistics of the RSE “National Bank of the RK” on long-term loans issued to banks, broken by types of economic activities in education sphere, for August 2019, and uses a market interest rate of 14.02% on initial recognition.

As at 31 December 2023, loans issued and long-term receivables from legal entities were not overdue.

Movements in the loss allowance for loans issued and receivables from sale of property to legal entities under instalment agreements are as follows:

KZT'000	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	
<i>Loans and long-term receivables from sale of property to legal entities under instalment agreements</i>				
Balance at the beginning of the year	197,007	-	378,896	575,903
Net remeasurement of loss allowance	(53,634)	-	(378,896)	(432,530)
New financial assets originated or purchased	988	-	-	988
Balance at the end of the year	144,361	-	-	144,361
KZT'000	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	
<i>Loans and long-term receivables from sale of property to legal entities under instalment agreements</i>				
Balance at the beginning of the year	166,698	5,584,314	248,462	5,999,474
Net remeasurement of loss allowance	(23,577)	(5,584,314)	130,434	(5,477,457)
New financial assets originated or purchased	53,886	-	-	53,886
Balance at the end of the year	197,007	-	378,896	575,903

Key assumptions and judgments used to estimate loss allowance for loans and long-term receivables from sale of property to legal entities under instalment agreements

In determining the loss allowance for loans and long-term receivables from sale of property to legal entities under instalment agreements, management used the following key assumptions:

- The LGD parameters for loans and long-term receivables classified as Stage 1 credit exposures were estimated at 0.00% to 61.64%.
- The PD parameters for receivables classified as Stage 1 credit exposures was estimated at 0.13%-6.32%, depending on the borrower's internal rating.

Changes in the estimates above could affect the loss allowance for loans. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loss allowance for loans and long-term receivables from sale of property to legal under instalment agreements as at 31 December 2023 would be KZT 590,192 thousand lower/higher (31 December 2022: KZT 709,815 thousand).

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Company uses expert judgement in assessment of forward-looking information. This assessment is based on the information from external sources.

External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the NBRK and Ministry of National Economy, and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Considering that the Company's historical data on default rates are not sufficient, the Company uses data from rating agencies as inputs for the economic scenarios. Scenarios are regularly reviewed and are used to assess credit risk grades.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 30 to 40 years.

(e) Asset securitisation

As at 31 December 2023 and 2022, neither loans to customers nor loans purchased from partners were pledged as collateral to secure debt securities issued by the Company.

(f) Loan maturities

The maturity of the loan portfolio as at the reporting date is presented in Note 22(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

16 Finance lease receivables

The components of net investments in finance lease as at 31 December 2023 and 2022 are as follows:

	31 December 2023 KZT'000	31 December 2022 KZT'000
Less than 1 year	12,640,125	12,900,543
From 1 to 2 years	12,630,781	12,911,242
From 2 to 3 years	12,625,430	12,904,981
From 3 to 4 years	12,593,005	12,900,486
From 4 to 5 years	12,559,925	12,870,345
More than 5 years	108,132,779	121,449,806
Minimum lease payments	171,182,045	185,937,403
Less unearned finance income:		
Less than 1 year	(3,757,814)	(4,162,840)
From 1 to 5 years	(14,234,012)	(15,578,435)
More than 5 years	(13,994,882)	(16,735,384)
Less unearned finance income	(31,986,708)	(36,476,659)
Less loss allowance	(352,396)	(202,438)
Net investments in finance lease, total	138,842,941	149,258,306

The Company leases out completed new apartments under Nurly Zher Programme and Own Programme.

These lease agreements are classified as a finance lease under IFRS 16 as it transfer ownership of the underlying assets to lessees by the end of the lease term, and at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset.

The finance lease agreements under Own Programme have a maturity of up to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements under Nurly Zher Programme have a maturity of 20 years, and monthly lease payments are limited to KZT 1,120 per square meter for Almaty and Astana cities and to KZT 924 per square meter in other regions. The interest rate implicit in the lease agreements under Nurly Zher Programme is 3.1%.

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment allowance, as at 31 December 2023 and 2022, by types of collateral.

KZT'000	Finance lease receivables, carrying amount	Fair value of collateral: for collateral assessed as of the reporting date	Fair value of collateral: for collateral assessed as of inception date	Fair value of collateral not determined
31 December 2023				
Finance lease receivables – not credit-impaired	129,138,012	129,138,012	-	-
Finance lease receivables – credit-impaired	9,704,929	9,704,929	-	-
	138,842,941	138,842,941	-	-
31 December 2022				
Finance lease receivables – not credit-impaired	134,014,640	134,014,640	-	-
Finance lease receivables – credit-impaired	15,243,666	15,243,666	-	-
	149,258,306	149,258,306	-	-

The tables above exclude overcollateralisation.

The Company has no finance lease receivables, for which the fair value of collateral was assessed at the finance lease inception date and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined. Information on the valuation of collateral is based on when this estimate was made, if any.

The recoverability of finance lease receivables which are neither past due nor impaired primarily depends on the creditworthiness of lessees rather than the value of collateral.

(a) Credit quality of finance lease receivables

The following table provides information on the credit quality of finance lease receivables as at 31 December 2023 and 31 December 2022:

KZT'000	31 December 2023			
	Lifetime ECL –			Total
	12-month ECL	not credit- impaired	Lifetime ECL – credit-impaired	
- not overdue	114,970,289	8,583,844	3,393,996	126,948,129
- overdue up to 30 days	2,240,552	944,926	662,812	3,848,290
- overdue 30-89 days	-	2,530,666	1,310,601	3,841,267
- overdue 90-179 days	-	-	2,176,491	2,176,491
- overdue 180-360 days	-	-	1,379,164	1,379,164
- overdue more than 360 days	-	-	1,001,996	1,001,996
	117,210,841	12,059,436	9,925,060	139,195,337
Loss allowance	(48,840)	(83,425)	(220,131)	(352,396)
Carrying amount	117,162,001	11,976,011	9,704,929	138,842,941
31 December 2022				
Lifetime ECL –				
	12-month ECL	not credit- impaired	Lifetime ECL – credit-impaired	Total
- not overdue	120,993,668	5,814,674	2,860,303	129,668,645
- overdue up to 30 days	2,951,069	1,984,192	928,031	5,863,292
- overdue 30-89 days	-	2,325,126	1,408,615	3,733,741
- overdue 90-179 days	-	-	2,301,535	2,301,535
- overdue 180-360 days	-	-	2,489,479	2,489,479
- overdue more than 360 days	-	-	5,404,052	5,404,052
	123,944,737	10,123,992	15,392,015	149,460,744
Loss allowance	(45,628)	(8,461)	(148,349)	(202,438)
Carrying amount	123,899,109	10,115,531	15,243,666	149,258,306

Analysis of movements in the loss allowance

Movements in the loss allowance for finance lease receivables broken down by 3 stages, as at the beginning and end of the period are as follows:

KZT'000	For the year ended 31 December 2023			
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	Total
Balance at the beginning of the year	45,628	8,461	148,349	202,438
Transfer to Stage 1	6,597	(5,232)	(1,365)	-
Transfer to Stage 2	(1,755)	78,315	(76,560)	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(3,586)	(1,178)	146,998	142,234
New financial assets originated or purchased, including transfers of these assets between stages	1,956	3,059	2,738	7,753
Other changes	-	-	(30)	(30)
Balance at the end of the year	48,840	83,425	220,130	352,395

KZT'000	For the year ended 31 December 2022			
	12-month ECL	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	Total
Balance at the beginning of the year	1,349,939	1,341,991	2,900,766	5,592,696
Transfer to Stage 1	5,619	(4,081)	(1,538)	-
Transfer to Stage 2	(2,774)	4,438	(1,664)	-
Transfer to Stage 3	(605)	-	605	-
Net remeasurement of loss allowance	(1,306,764)	(1,333,887)	(2,749,373)	(5,390,024)
New financial assets originated or purchased, including transfers of these assets between stages	213	-	-	213
Other changes	-	-	(447)	(447)
Balance at the end of the year	45,628	8,461	148,349	202,438

Significant changes in gross carrying amount of finance lease receivables are as follows:

KZT'000	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	123,944,737	10,123,992	15,392,015	149,460,744
Transfer to Stage 1	6,503,031	(5,371,275)	(1,131,756)	-
Transfer to Stage 2	(3,580,049)	9,284,140	(5,704,091)	-
Transfer to Stage 3	(1,400,887)	(1,282,340)	2,683,227	-
New financial assets originated or purchased, including transfers of these assets between stages	4,253,260	233,017	83,081	4,569,358
Repayments (early or partial repayment)	(12,509,253)	(928,098)	(1,224,685)	(14,662,036)
Write-offs	-	-	(172,673)	(172,673)
Other changes	-	-	(57)	(57)
Balance at 31 December	117,210,839	12,059,436	9,925,061	139,195,336

KZT'000	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	132,034,909	12,786,807	14,401,793	159,223,509
Transfer to Stage 1	6,143,553	(4,971,360)	(1,172,193)	-
Transfer to Stage 2	(4,404,274)	5,750,036	(1,345,762)	-
Transfer to Stage 3	(2,582,024)	(2,147,125)	4,729,149	-
New financial assets originated or purchased, including transfers of these assets between stages	6,685,976	390,057	496,195	7,572,228
Repayments (early or partial repayment)	(13,495,713)	(1,432,841)	(1,392,109)	(16,320,663)
Write-offs	(437,690)	(251,582)	(324,362)	(1,013,634)
Other changes	-	-	(696)	(696)
Balance at 31 December	123,944,737	10,123,992	15,392,015	149,460,744

17 Debt securities issued

Debt securities issued as at 31 December 2023 and 2022 comprised KZT- denominated bonds.

Issue	Maturity date	Nominal coupon rate	Effective interest rate	31 December 2023 KZT'000	31 December 2022 KZT'000
KZ2C00006641	09.04.2024	4.05%	10.64%	178,627,524	168,366,805
KZ2C00006807	25.06.2030	6.02%	12.94%	147,610,091	142,051,661
KZ2C00006815	14.08.2031	6.02%	12.45%	143,293,839	138,625,210
KZ2C00007094	29.12.2032	6.02%	11.41%	76,627,366	74,800,734
KZ2C00006823	22.10.2032	6.02%	12.17%	68,883,119	66,893,808
KZ2C00006831	22.10.2032	6.02%	12.17%	68,883,119	66,893,808
KZ2C00007839	27.10.2031	7.02%	10.75%	41,034,697	40,276,068
KZ2C00006393	24.02.2026	10.25%	11.00%	30,618,453	30,438,455
KZ2C0Y10F013/					
KZ2C00003333	15.12.2027	10.50%	10.27%	30,330,182	30,367,907
KZX000000054	28.12.2033	9.58%	9.58%	20,973,967	20,973,967
KZ2C00004356/					
KZ2C0Y20F889	21.06.2049	2.99%	11.94%	341,733	336,769
KZ2C00007086	01.04.2051	0.10%	12.17%	162,265	146,840
KZ2C00007631	04.02.2052	0.10%	12.17%	60,068	54,693
KZ2C00004349	06.08.2050	0.10%	12.41%	25,263	22,928
				807,471,686	780,249,653

During the year ended 31 December 2023, in accordance with the Program for Refinancing Mortgage Housing Loans (Mortgage Loans) approved by the Resolution No.69 of the Management Board of the National Bank of Kazakhstan dated 24 April 2015, the Company placed coupon bonds for the amount of KZT 39,339 thousand at a fixed coupon rate of 0.1% per annum.

The bonds were recognised at fair value of KZT 1,182 thousand, calculated using a market rate of 13.18% per annum, and the difference between the par value and fair value of KZT 38,150 thousand was recognised as a government grant (Note 19).

During the reporting period, the Company made no early repayments of issued bonds.

18 Other borrowed funds

	31 December 2023 KZT'000	31 December 2022 KZT'000
Loan from the Baiterek National Managing Holding JSC	222,689,014	206,742,354
Long-term loans received from international financial institutions	15,269,905	22,638,289
Due to the Government of the Republic of Kazakhstan	6,658,434	6,173,578
Due to Akimat of the city of Astana	171,263	161,467
	244,788,616	235,715,688

As at 31 December 2023 and 31 December 2022, other borrowed funds comprised loans from the NMC Baiterek JSC received under the Nurly Zhol State Programme of Infrastructure Development for 2015-2019, adopted in accordance with the Edict of the President of the RK dated 6 April 2015, No.1030, and Regions Development Programme till 2020, approved by the Decree of the Government of the Republic of Kazakhstan dated 28 June 2014, No. 728, and the Nurly Zher State Programme for Housing Development for 2020-2025, approved by the Decree of the Government of the Republic of Kazakhstan dated 31 December 2019, No.1054, which were integrated with the Concept for Housing and Communal Infrastructure Development until 2026, approved by the Decree of the Government of the Republic of Kazakhstan dated 23 September 2022, No.736.

As set out in Nurly Zher Programme, the purpose of the loans is to provide financing for construction and acquisition of housing real estate, to be further leased out under finance leases. The loans bear a nominal interest rate of 0.15% per annum and mature in January 2045, January 2046 and June 2046. The principal is repayable at maturity. At initial recognition these loans were recognised at fair value, calculated by discounting the contractual future cash flows on the loans, applying appropriate estimated market interest rates ranging from 6.9% to 8.0%. The discount on these loans was recognised as a government grant.

During 2021, to finance arrangements aimed at providing the households with the affordable housing and to purchase bonds issued by the local executive bodies as part of the financing for the state and government programmes, the Company raised loans denominated in the Russian rouble from Eurasian Development Bank for a total of RUB 3,500,000 thousand, bearing an annual interest rate of 7.5% and maturing in November and December 2026.

During the year ended 31 December 2023, according to the debt repayment schedule, the Company partially repaid the principal amount of RUB 500,000 thousand, in the amount equivalent to KZT 2,518,571 thousand.

Amounts due to the Government of the Republic of Kazakhstan consist of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for purchasing mortgage loans from second-tier banks. The loan carries a nominal interest rate of 0.1% per annum; the principal is repayable at maturity, in December 2027. The fair value of the loan at initial recognition was estimated by discounting the contractual future cash flows of the loan, using management's estimate of a long-term market borrowing rate for the Company of 8.0% p.a.

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2023:

KZT'000	Liabilities		Total
	Debt securities issued	Other borrowed funds	
Balance at 1 January 2023	780,249,653	235,715,688	1,015,965,341
Changes from financing cash flows			
Proceeds from issue of debt securities	39,339	-	39,339
Repayment of other borrowed funds	-	(2,524,407)	(2,524,407)
Total changes from financing cash flows	39,339	(2,524,407)	(2,485,068)
Interest expense	88,340,360	18,658,544	106,998,904
Differences arising on initial recognition of financial instruments at the above-market/below-market rates (Note 19)	(38,150)	-	(38,150)
Interest payments	(61,119,516)	(2,194,002)	(63,313,518)
Foreign exchange and other movements	-	(4,867,207)	(4,867,207)
Balance at 31 December 2023	807,471,686	244,788,616	1,052,260,302

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2022:

KZT'000	Liabilities		Total
	Debt securities issued	Other borrowed funds	
Balance at 1 January 2022	755,618,219	218,164,832	973,783,051
Changes from financing cash flows			
Proceeds from issue of debt securities	3,349,923	-	3,349,923
Other changes	223	-	223
Total changes from financing cash flows	3,350,146	-	3,350,146
Interest expense	85,460,719	17,818,852	103,279,571
Differences arising on initial recognition of financial instruments at the above-market/below-market rates (Note 19)	(3,073,125)	-	(3,073,125)
Interest payments	(61,106,293)	(2,699,517)	(63,805,810)
Foreign exchange and other movements	(13)	2,431,521	2,431,508
Balance at 31 December 2022	780,249,653	235,715,688	1,015,965,341

19 Government grants

	31 December 2023 KZT'000	31 December 2022 KZT'000
Balance at the beginning of the year	142,702,544	182,324,636
Origination of a government grant in the form of discount on debt securities issued (Note 17)	38,150	3,073,125
Utilisation of a government grant for bonds issued by local executive bodies (Note 14)	(1,567,918)	(24,409,037)
Utilisation of a government grant for loans issued (Note 15)	(1,412,806)	(12,760,154)
Utilisation of a government grant for bonds issued (Note 17)	-	(2,726,353)
Discount recalculated due to early partial redemption of bonds by the local executive bodies (Note 14)	1,020,131	1,520,389
Discount recalculated due to early partial repayment of the loan (Note 15)	5,667,718	3,813,559
Amortisation for the year	(8,138,803)	(8,133,621)
Balance at the end of the year	138,309,016	142,702,544

Government grant liabilities on financing the government programmes, Nurly Zher Programme and Employment Roadmap for 2020-2021, will be utilised as far as the discount on the purchase of bonds issued by local executive bodies at a low interest rate is recognised, and also part of Government grants will be amortised in other income, as interest under hire-purchase contracts, on a straight-line basis over the period of 20 years as far as completed new apartments are recorded on the Company's balance sheet.

20 Deferred income and provisions for guarantees issued

	31 December 2023 KZT'000	31 December 2022 KZT'000
Deferred income from financial guarantee contracts under the construction projects	712,753	1,091,799
Deferred income on financial guarantees	267	403
Total deferred income on guarantees issued	713,020	1,092,202
Provisions under guarantee contracts for construction projects	24,207,895	22,676,679
Provision for financial guarantees claims	1,110	1,159
Total provisions for guarantees issued	24,209,005	22,677,838
Balance at the end of the year	24,922,025	23,770,040

Deferred income on guarantees issued

	2023 KZT'000	2022 KZT'000
Balance at the beginning of the year	1,092,202	2,032,442
Earned commission from financial guarantee contracts related to construction projects	(1,633,935)	(2,604,576)
Commission income from financial guarantee contracts related to construction projects received	1,405,476	1,864,424
Financial guarantee commission earned	(168)	(355)
Financial guarantee commission	51	69
VAT payable on income	(150,606)	(199,802)
Balance at the end of the year	713,020	1,092,202

Deferred income from guarantees issued includes a proportion of financial guarantee fees and a proportion of the commissions for contracts for the provision of a completion guarantee for construction projects that are estimated to be earned in the next or subsequent financial years, calculated separately for each financial guarantee contract and each contract for the provision of guarantees for the project completion of construction, using a proportional method.

Analysis of movements in provisions for claims on financial guarantees

	2023 KZT'000	2022 KZT'000
Balance at the beginning of the year	1,159	1,141
Change in provisions for financial guarantee contracts	(49)	18
Balance at the end of the year	1,110	1,159

Analysis of movements in provisions for claims on financial guarantees under construction projects

	2023 KZT'000	2022 KZT'000
Balance at the beginning of the year	22,676,679	16,369,499
Movements in provisions under guarantees contracts for construction projects	1,531,216	6,307,180
Balance at the end of the year	24,207,895	22,676,679

Key assumptions used to calculate provisions under contracts for granting guarantees for construction projects

Assumptions used to assess warranty liabilities are adopted for more accurate estimation of reserves needed to cover any future liabilities for warranty contracts.

As of the reporting date, the Company created a reserve for the estimated amount necessary to fully settle warranty claims.

To determine the probability of occurrence of a warranty event, the Company uses the assigned rating of an authorised company/developer, which determines the level of risk. The rating takes into account both the quantitative and qualitative indicators of the authorized company/developer: return on sales, return on assets, quick liquidity ratio, solvency ratio, interest coverage ratio, current-to-assets ratio, total liabilities to equity ratio, commissioned square meters of the total area of housing area, the category of licence of the general contractor, and technical equipment.

The factor indicating the increased probability of a warranty event to occur is the fact that the authorised company/a developer has applied to extend guarantee period due to delays in construction and assembly works and failure to meet apartment target sales.

Considering that fulfilment of obligations by the developer and authorised construction company under the guarantee contract are secured by the pledged share of participation of the developer in the authorised company and the pledged land plot (rights to it) with construction in progress (if any), the amount of actual compensation in the event of a warranty case as assessed by the Company depends on the completion stage and cost of construction, and changes in market prices of real property.

Estimation of expected losses is reviewed as the Company accumulates statistical data.

Management of the Company believes that parameters of the guarantee contracts portfolio under construction projects are sensitive mainly to changes in the estimated probability of occurrence of a warranty case and estimated compensation in the event of a warranty case. The Company regularly reassesses its estimates based on the latest values of the above variables.

If a probability of occurrence of a warranty case changes by plus/minus one percent, provisions for issued guarantees would be higher/lower by KZT 242,079 thousand (2022: higher/lower by KZT 226,767 thousand).

Occurrence of a guarantee event

In accordance with paragraphs 3 and 4 of article 37 of the Law “On equity participation in housing construction”, in June 2023, the Company reported a guarantee event for the project “Construction of four 9-storey residential buildings in microdistrict Nursaya in Atyrau”, of which three 9-storey residential buildings were the objects covered by the guarantee

As at 31 December 2023, the Company has accrued a 100% provision for the issued guarantee in the amount of KZT 2,105,046 thousand.

Under the trust management agreement for voting shares (interests in the authorised capital) of the authorized company, and on the basis of the acceptance act, the founder transferred to the Company a 100% interest in the authorised capital of the management company, for trust management (Note 3(b)).

The Company does not consolidate the authorised company as it is immaterial (both individually and in the aggregate) to the financial position, financial performance and cash flows of the Company.

21 Share capital and reserves

(a) Issued share capital and share premium

As at 31 December 2023, the authorised share capital comprises 22,000,000 ordinary shares. (as at 31 December 2022: 22,000,000 ordinary shares). As at 31 December 2023, issued and outstanding share capital comprises 17,881,022 shares (31 December 2022: 17,881,022 shares), including treasury shares purchased from shareholders (Note (c) below).

(b) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with International Financial Reporting Standards or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

During the year ended 31 December 2023, the Company declared dividends of KZT 31,275,846 thousand or KZT 1,773.91 per share for the previous year, of which amount the Company paid dividends of KZT 26,584,469 thousand and withheld CIT at source of KZT 4,691,377 thousand (2022: dividends of KZT 3,622,294 thousand or KZT 205.45 per ordinary share, based on the previous year results). In accordance with amendments made to the Tax Code of the Republic of Kazakhstan on 12 December 2023, the Company recognised dividends outstanding, payable to the Shareholder and tax liabilities of KZT 4,691,377 thousand.

(c) Treasury shares

As at 31 December 2023 and 2022, the Company held 250,000 of its own shares.

(d) Reserve capital

The Company has established a reserve capital in accordance with a decision of shareholders. As at 31 December 2023 and 2022, the reserve capital was KZT 2,734,447 thousand. The reserve capital is not subject to distribution.

During the years 2023 and 2022, the shareholders made no transfers from retained earnings to the reserve capital.

(e) Other provisions in retained earnings

The Company created a reserve for the settlement of the guarantee event, in accordance with Article 29 of the Law of the Republic of Kazakhstan dated 7 April 2016 "On Shared Participation in Housing Construction". The reserves for the settlement of guarantee cases can be used solely for the purpose of payments related to the Company's obligations under the guarantee agreements. As at 31 December 2023, provision for settlement of guarantee events was KZT 5,642,540 thousand (31 December 2022: KZT 6,882,107 thousand) and may not be distributed.

(f) Book value per share

Under the listing rules of the KASE, the Company is required to disclose book value per share in its financial statements. The book value per share is calculated by dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2023, the book value per share was KZT 13,867.51 (2022: KZT 13,768.85 thousand).

22 Risk management

Management of risk is fundamental to the lending business and forms an essential element of the Company's operations. The major risks faced by the Company are those related to interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

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

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

The Management Board of the Company is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. The Head of Risk Department of the Company is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

The Asset Liability and Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board and the Board of Directors.

Both external and internal risk factors are identified and managed throughout the Company's organisational structure. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise. The Board of Directors on a regular basis examines reports on risks.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Overall authority for market risk is vested in the Asset, Liability and Risk Management Committee.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board and the Board of Directors.

Interest rate risk

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

Interest rate gap analysis

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

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2023							
ASSETS							
Cash and cash equivalents	228,218,723	-	-	-	-	77,199,826	305,418,549
Placements with banks and other financial institutions	50,123,225	-	18,941,219	-	-	-	69,064,444
Investment securities:							
- measured at amortised cost	152,375,645	27,367,501	27,499,735	83,367,473	543,559,465	-	834,169,819
Loans to customers and long-term receivables from sales of real estate under instalment agreements:							
- at fair value through profit or loss	-	-	19,619	7,130,245	3,878,162	-	11,028,026
- measured at amortised cost	1,929,838	39,786,580	2,197,696	36,594,305	25,173,322	-	105,681,741
Finance lease receivables	2,567,589	2,087,436	4,227,286	36,175,128	93,785,502	-	138,842,941
Other financial assets	-	-	-	-	232	105,938	106,170
Total assets	435,215,020	69,241,517	52,885,555	163,267,151	666,396,683	77,305,764	1,464,311,690
LIABILITIES							
Debt securities issued	2,036,082	184,970,713	13,473,639	59,732,386	547,258,866	-	807,471,686
Other borrowed funds	234,163	2,650,194	2,549,876	98,786,343	140,568,040	-	244,788,616
Liability payable to the Shareholder	-	-	-	-	-	4,691,377	4,691,377
Other financial liabilities	2,479	-	-	-	-	4,571,601	4,574,080
Total liabilities	2,272,724	187,620,907	16,023,515	158,518,729	687,826,906	9,262,978	1,061,525,759
Net position	432,942,296	(118,379,390)	36,862,040	4,748,422	(21,430,223)	68,042,786	402,785,931

KZT'000	<u>Less than 3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>	<u>Non-interest bearing</u>	<u>Carrying amount</u>
31 December 2022							
ASSETS							
Cash and cash equivalents	190,014,443	-	-	-	-	55,222,728	245,237,171
Placements with banks and other financial institutions	113,699	-	664,345	67,672,636	-	-	68,450,680
Investment securities:							
- at fair value through profit or loss	1,385,197	786,774	-	-	-	-	2,171,971
- measured at amortised cost	6,940,040	20,494,743	113,993,699	157,719,382	531,929,546	-	831,077,410
Loans to customers and long-term receivables from sales of real estate under instalment agreements:							
- at fair value through profit or loss	-	-	-	-	4,523,388	-	4,523,388
- measured at amortised cost	22,754,717	1,163,094	2,466,048	68,793,139	31,719,752	-	126,896,750
Finance lease receivables	2,470,312	2,078,301	4,189,089	36,008,620	104,511,984	-	149,258,306
Other financial assets	-	-	-	-	280	297,235	297,515
Total assets	223,678,408	24,522,912	121,313,181	330,193,777	672,684,950	55,519,963	1,427,913,191
LIABILITIES							
Debt securities issued	8,072,795	7,983,439	7,436,917	226,316,668	530,439,834	-	780,249,653
Other borrowed funds	232,577	161,992	3,233,674	100,780,726	131,306,719	-	235,715,688
Other financial liabilities	5,100	-	-	-	-	3,880,302	3,885,402
Total liabilities	8,310,472	8,145,431	10,670,591	327,097,394	661,746,553	3,880,302	1,019,850,743
Net position	215,367,936	16,377,481	110,642,590	3,096,383	10,938,397	51,639,661	408,062,448

	31 December 2023 KZT'000		31 December 2022 KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	2,694,258	2,694,258	2,081,597	2,081,597
100 bp parallel fall	(2,694,258)	(2,694,258)	(2,081,597)	(2,081,597)

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

	31 December 2022 KZT'000		31 December 2022 KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	257,853	257,853	121,101	121,101
100 bp parallel fall	(295,914)	(295,914)	(163,219)	(163,219)

(c) Currency risk

The Company has assets and liabilities denominated in USD.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023 and 2022:

	USD	EUR	RUB
	31 December 2022 KZT'000	31 December 2022 KZT'000	31 December 2022 KZT'000
Assets			
Cash and cash equivalents	42,382	-	-
Total financial assets	42,382	-	-
Liabilities			
Other borrowed funds	-	-	15,269,905
Other liabilities	-	17,503	-
Total financial liabilities	-	17,503	15,269,905
Net on and off-balance sheet position	42,382	(17,503)	(15,269,905)

	USD	RUB
	31 December 2022 KZT'000	31 December 2022 KZT'000
Assets		
Cash and cash equivalents	32,355	2
Placements with banks and other financial institutions	664,345	-
Total financial assets	696,700	2
Liabilities		
Other borrowed funds	-	(22,638,289)
Other liabilities	-	(438)
Total financial liabilities	-	(22,638,727)
Net on and off-balance sheet position	696,700	(22,638,725)

A change in the value of the KZT, as indicated below, against the following currencies at 31 December 2023 and 31 December 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

KZT'000	31 December 2023		31 December 2022	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT	6,781	6,781	111,472	111,472
5% depreciation of USD against KZT	(1,695)	(1,695)	(27,868)	(27,868)
20% appreciation of EUR against KZT	(2,800)	(2,800)	-	-
5% depreciation of EUR against KZT	700	700	-	-
20% appreciation of RUR against KZT	(2,443,185)	(2,443,185)	(3,622,196)	(3,622,196)
50% depreciation of RUB against KZT	6,107,962	6,107,962	9,055,490	9,055,490

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board and the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan applications;
- methodology for the credit assessment of borrowers;
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by assessment of the borrower's creditworthiness, obtaining high quality collateral, the receipt of a guarantee and obtaining recourse to the seller of the loans.

The Company's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	31 December 2023 KZT'000	31 December 2022 KZT'000
	ASSETS	
Cash and cash equivalents	305,418,549	245,237,171
Placements with banks and other financial institutions	69,064,444	68,450,680
Investment securities:		
- at fair value through profit or loss	-	2,171,971
- measured at amortised cost	834,169,819	831,077,410
Loans to customers and long-term receivables from sales of real estate under instalment agreements:		
- at fair value through profit or loss	11,028,026	4,523,388
- measured at amortised cost	105,681,741	126,896,750
Finance lease receivables	138,842,941	149,258,306
Other financial assets	106,170	297,515
Total maximum exposure	1,464,311,690	1,427,913,191

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 15.

As at 31 December 2023 and 31 December 2022 the Company has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

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

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

The agreements include global master repurchase agreements. Such financial instruments include sale and repurchase agreements and reverse sale and repurchase agreements. The Company receives and accepts collateral in the form of cash and marketable securities in respect of these sale and repurchase and reverse sale and repurchase agreements.

The Company's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The Company's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Information on the financial instruments such as loans and deposits is not disclosed in the tables below, except for the cases when they are offset in the statement of financial position. The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements:

	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
			Financial instruments	Cash collateral received	Net amount
KZT'000					
31 December 2023					
Reverse repurchase agreements	218,888,397	-	218,888,397	218,888,397	-
Total financial liabilities	218,888,397	-	218,888,397	218,888,397	-
31 December 2022					
Reverse repurchase agreements	157,992,173	-	157,992,173	(157,992,173)	-
Total financial liabilities	157,992,173	-	157,992,173	(157,992,173)	-

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

Assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Company's liquidity policy is reviewed by the Management Board and approved by the Board of Directors.

The Company seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Company's liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flows on the financial asset, liability or commitment. The Company's expected cash flows on these financial liabilities may vary significantly from this analysis.

The liquidity position of the Company as at 31 December 2023 was as follows:

KZT'000	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities								
Debt securities issued	6,978,714	1,546,410	198,227,624	37,699,748	264,480,484	929,076,493	1,438,009,473	807,471,686
Other borrowed funds	98,309	238,661	3,203,616	3,387,291	121,544,141	393,126,530	521,598,548	244,788,616
Liability payable to the Shareholder	-	-	4,691,377	-	-	-	4,691,377	4,691,377
Other financial liabilities	3,869,661	599,701	104,718	-	-	-	4,574,080	4,574,080
Total	10,946,684	2,384,772	206,227,335	41,087,039	386,024,625	1,322,203,023	1,968,873,478	1,061,525,759

The liquidity position of the Company as at 31 December 2021 was as follows:

KZT'000	Demand and less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities								
Debt securities issued	6,978,714	1,546,410	18,227,624	41,344,748	454,350,484	976,680,989	1,499,128,969	780,249,653
Other borrowed funds	96,850	235,743	943,170	4,442,976	131,656,956	394,599,712	531,975,407	235,715,688
Other financial liabilities	3,551,654	242,795	90,953	-	-	-	3,885,402	3,885,402
Total	10,627,218	2,024,948	19,261,747	45,787,724	586,007,440	1,371,280,701	2,034,989,778	1,019,850,743

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2023:

KZT'000	Less than 1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	305,418,549	-	-	-	-	-	305,418,549
Placements with banks and other financial institutions	127,397	49,995,828	18,941,219	-	-	-	69,064,444
Investment securities:							
- measured at amortised cost	27,823,111	124,552,534	54,867,236	83,367,473	543,559,465	-	834,169,819
Loans to customers and long-term receivables from sales of real estate under instalment agreements:							
- at fair value through profit or loss	-	-	19,619	7,130,245	3,878,162	-	11,028,026
- measured at amortised cost	767,089	1,171,018	41,943,323	36,639,642	25,160,669	-	105,681,741
Finance lease receivables	1,183,753	1,383,836	6,314,722	36,175,128	93,785,502	-	138,842,941
Current tax asset	-	-	4,691,377	-	-	4,911,795	9,603,172
Assets to be transferred under finance lease agreements	-	-	-	-	-	300,471	300,471
Property, plant and equipment	-	-	-	-	-	3,795,842	3,795,842
Investment property	-	-	-	-	-	6,586,560	6,586,560
Non-current assets held for sale	-	-	125,389	-	-	-	125,389
Other assets	129,186	307,661	406,578	51,088	671	682,879	1,578,063
Total assets	335,449,085	177,410,877	127,309,463	163,363,576	666,384,469	16,277,547	1,486,195,017
Liabilities							
Debt securities issued	958,716	1,077,366	198,444,352	59,732,386	547,258,866	-	807,471,686
Other borrowed funds	87,185	146,978	5,200,070	98,786,343	140,568,040	-	244,788,616
Government grants	-	-	-	-	138,309,016	-	138,309,016
Deferred income and provisions for guarantees issued	4,348,267	8,480,423	11,690,265	402,325	169	576	24,922,025
Liability payable to the Shareholder	-	-	4,691,377	-	-	-	4,691,377
Deferred tax liability	-	-	-	-	14,330,174	-	14,330,174
Other liabilities	5,237,494	988,401	531,378	-	-	-	6,757,273
Total liabilities	10,631,662	10,693,168	220,557,442	158,921,054	840,466,265	576	1,241,270,167
Net position as at 31 December 2023	324,817,423	166,717,709	(93,247,979)	4,442,522	(174,081,796)	16,276,971	244,924,850
Net position as at 31 December 2022	255,506,813	(1,175,060)	119,943,095	(2,111,970)	(149,338,367)	20,352,450	243,176,961

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2022:

KZT'000	Less than 1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	245,237,171	-	-	-	-	-	245,237,171
Placements with banks and other financial institutions	113,699	-	664,345	67,672,636	-	-	68,450,680
Investment securities:							
- at fair value through profit or loss	-	58,589	2,113,382	-	-	-	2,171,971
- measured at amortised cost	210,668	6,729,372	134,488,442	157,719,382	531,929,546	-	831,077,410
Loans to customers and long-term receivables from sales of real estate under instalment agreements:							
- at fair value through profit or loss	-	-	-	-	4,523,388	-	4,523,388
- measured at amortised cost	-	1,071,333	3,540,781	68,938,807	31,649,128	-	126,896,750
Finance lease receivables	1,098,105	1,372,207	6,267,390	36,008,620	104,511,984	-	149,258,306
Current tax asset	-	-	-	-	-	4,459,416	4,459,416
Assets to be transferred under finance lease agreements	-	-	-	-	-	4,796,241	4,796,241
Property, plant and equipment	-	-	-	-	-	3,750,885	3,750,885
Investment property	-	-	-	-	-	6,659,688	6,659,688
Non-current assets held for sale	-	-	188,510	-	-	-	188,510
Other assets	146,940	215,882	587,765	40,252	966	686,220	1,678,025
Total assets	268,503,284	9,447,383	147,850,615	330,379,697	672,615,012	20,352,450	1,449,148,441
Liabilities							
Debt securities issued	6,978,706	1,077,367	15,437,078	226,316,668	530,439,834	-	780,249,653
Other borrowed funds	86,656	145,921	3,395,666	100,780,726	131,306,719	-	235,715,688
Government grants	-	-	-	-	142,702,544	-	142,702,544
Deferred income and provisions for guarantees issued	939,323	8,948,538	8,487,281	5,394,273	625	-	23,770,040
Deferred tax liability	-	-	-	-	17,503,657	-	17,503,657
Other liabilities	4,991,786	450,617	587,495	-	-	-	6,029,898
Total liabilities	12,996,471	10,622,443	27,907,520	332,491,667	821,953,379	-	1,205,971,480
Net position as at 31 December 2022	255,506,813	(1,175,060)	119,943,095	(2,111,970)	(149,338,367)	20,352,450	243,176,961
Net position as at 31 December 2021	151,526,930	122,857,204	171,727,631	(68,312,333)	(175,435,695)	17,441,095	219,804,832

As at 31 December 2023 included in the category “More than 5 years” are overdue loans to customers, long-term receivables from sales of real estate under instalment agreements and finance lease receivables with net book values of KZT 220,165 thousand and KZT 219,709 thousand, respectively (31 December 2022: KZT 1,627,477 thousand and KZT 399,155 thousand, respectively).

23 Risk management under the guarantees provided

The Company enters into contracts for the provision of guarantees for the completion of construction. The Company guarantees the completion of the construction of a residential house in the event of an insurance case and the transfer of shares in a residential building to equity holders. As at 31 December 2023 the Company had 53 insurance agreements that were in force (31 December 2022: 59 agreements that were in force).

As at 31 December 2023 the maximum amount of liabilities under the valid guarantees issued by the Company was: KZT 320,096,435 thousand (31 December 2022: KZT 410,765,069 thousand).

The main risk that the Company faces under construction guarantee contracts is that the actual payments for warranty cases or the time of their payment may differ from those expected. Thus, the Company's goal is to accumulate sufficient reserves to pay for these liabilities.

Insurance risk is mainly managed through the assessment of financial and legal risks associated with the developer. The Company assesses the financial condition of the developer, performs analysis of the sources of financing the project, and conducts analysis of the adequacy of the price policy of the construction company. In addition, the Company also conducts legal assessment to establish legal and reputational risks for the project. To secure the customer's liability to complete construction of a residential house the Company accepts 100% interest in the authorised company and land plot with construction in progress as a security.

24 Capital management

The Company defines as capital the following items defined by statutory regulation as capital for mortgage companies:

Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' statutory retained earnings, accumulated losses and reserves created thereof and preference shares (within 15% of ordinary share capital) less intangible assets and current year statutory losses;

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's statutory income, revaluation reserves, preference shares (in excess of 15% of ordinary share capital), qualifying subordinated liabilities and total impairment allowance in the amount not exceeding 1.25% of credit risk-weighted assets.

Total capital, which is the sum of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital) less investments into equity or subordinated debt.

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

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

- a ratio of tier 1 capital to total statutory assets (k1);
- a ratio of credit risk-weighted contingent liabilities decreased by the amount of total reserves (provisions) not included in calculation of the equity (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, decreased by the amount of total reserves (provisions) not included in calculation of the equity and quantified operational risk (k1-3).

	31 December 2023 KZT'000	31 December 2022 KZT'000
Tier 1 capital		
Share capital	190,847,155	190,847,155
General reserves	2,734,447	2,734,447
Additional paid-in capital	3,389,392	3,389,392
Intangible assets	(97,912)	(16,585)
Retained net profit of prior years	8,048,014	8,059,325
Total tier 1 capital	204,921,096	205,013,734
Tier 2 capital		
Total reserves (provisions) included in calculation of equity in the amount not exceeding 1.25% of credit-risk weighted assets	5,642,540	6,882,107
Net profit for the year in accordance with the NBRK requirements	34,263,302	31,264,535
Total tier 2 capital	39,905,842	38,146,642
Total capital	244,826,938	243,160,376
Total statutory assets	1,486,195,017	1,449,148,441
Credit risk weighted assets	521,980,078	568,715,445
Credit risk-weighted contingent liabilities	299,634,583	388,280,696
Operational risk	25,832,023	14,483,556
Total credit risk weighted assets and contingent liabilities plus operational risk	847,446,684	971,479,697
k1	14%	14%
k1-2	24%	21%
k1-3	29%	25%

As at 31 December 2023 and 31 December 2022 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%;
- k1-2 – 6%;
- k1-3 – 12%.

In accordance with the NBRK requirements a net profit (loss) comprises the Company's net profit less reserve for the settlement of the guarantee event, in accordance with Article 29 of the Law of the Republic of Kazakhstan dated 7 April 2016 "On Shared Participation in Housing Construction" (Note 21(e)) as the reserve for the settlement of the guarantee event is restricted for distribution.

25 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. Company purchases a property insurance service, which should include insurance of property that serves as a collateral of the immovable property pledged at the Company against the mortgage loans, and insurance of leased housing, namely its structural elements, against the risks of loss, destruction and/or damage caused by natural calamities and emergency situations of the natural, climatic, household and/or man-made character, criminal and negligent actions of the third parties. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigation

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

(c) Taxation contingencies in Kazakhstan

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

26 Related party transactions

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

Total remuneration to the members of the Management Board and Board of Directors is as follows:

	2023 KZT'000	2022 KZT'000
Members of the Board of Directors	17,052	34,189
Members of the Management Board	162,158	214,253
	179,210	248,442

The outstanding balances and average interest rates as at 31 December 2023 and 31 December 2022 for transactions with the members of the Management Board and the Board of Directors are as follows:

	31 December 2023 KZT'000	Average interest rate, %	31 December 2022 KZT'000	Average interest rate, %
Statement of financial position				
Loans to customers	48,214	6.40	63,327	3.00
Other liabilities	50,466	-	58,789	-

(b) Amounts on transactions with the members of the Management Board and Board of Directors included in the statement of profit or loss and other comprehensive income are as follows:

	2023 KZT'000	2022 KZT'000
Statement of profit or loss and other comprehensive income		
Interest income calculated using the effective interest method	2,850	1,522

(c) Other related party transactions

Other related parties include NMH Baiterek JSC and its subsidiaries (together the “Baiterek Group”) and other state organisations.

The amounts below are included in the statement of financial position and statement of profit or loss and other comprehensive income for transactions with other related parties as at 31 December 2023 and 31 December 2022:

	2023	2023	2022	2022
	Baiterek Group	Government institutions	Baiterek Group	Government institutions
KZT'000				
Statement of profit or loss				
Interest income	9,181,147	133,813,315	5,233,136	120,842,625
Interest expense	(98,627,396)	(1,803,559)	(94,566,445)	(1,745,993)
Other operating (loss)/income	3,855,853	(24,250,576)	37,902,393	(42,481,796)
Fee and commission expense	(48)	(3,180)	(6)	(2,841)
Impairment gains/(losses) on debt financial instruments	250,544	(109,869)	(253,030)	481,378
General and administrative expenses	-	(483,342)	-	(447,255)
Income tax expense	-	966,877	-	(1,822,668)

The balances with other related parties as at 31 December 2023 include:

	Baiterek Group		Government institutions	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Cash and cash equivalents	3,451,966	14.25	295,615,724	15.48
Due from banks	69,064,444	7.57	-	-
Investment securities measured at amortised cost	13,356,648	0.50	809,855,660	4.87
Loans to customers	-	-	53,287,795	0.40
Current tax asset	-	-	9,603,172	-
Other assets	79,271	-	110,214	-
Debt securities issued	745,977,524	5.70	12,555,726	10.09
Other borrowed funds	222,689,014	0.17	6,829,697	0.10
Government grants	136,536,959	-	1,772,057	-
Liability payable to the Shareholder	4,691,377	-	-	-
Deferred tax liability	-	-	14,330,174	-
Other liabilities	-	-	743,506	-

The balances with other related parties as at 31 December 2022 include:

	Baiterek Group		Government institutions	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Cash and cash equivalents	18,706,441	15.25	212,774,938	13.88
Due from banks	67,786,335	7.61	-	-
Investment securities measured at amortised cost	7,891,244	0.5	812,220,919	5.20
Loans to customers	-	-	47,171,594	0.40
Current tax asset	-	-	4,459,416	-
Other assets	79,454	-	103,836	-
Debt securities issued	718,929,637	5.72	12,542,124	10.10
Other borrowed funds	206,742,354	0.17	6,335,045	0.10
Government grants	140,884,429	-	1,818,115	-
Deferred tax liability	-	-	17,503,656	-
Other liabilities	-	-	376,936	-

27 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023.

KZT'000	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	305,418,549	-	305,418,549	305,418,549
Placements with banks and other financial institutions	69,064,444	-	69,064,444	69,064,444
Investment securities:				
- measured at amortised cost	834,169,819	-	834,169,819	844,352,956
Loans to customers and receivables from sales of real estate under instalment agreements				
- measured at amortised cost	105,681,741	-	105,681,741	81,947,475
- at fair value through profit or loss	-	11,028,026	11,028,026	11,028,026
Finance lease receivables	138,842,941	-	138,842,941	138,842,941
Other financial assets	106,170	-	106,170	106,170
	1,453,283,664	11,028,026	1,464,311,690	1,450,760,561
Debt securities issued	807,471,686	-	807,471,686	777,671,411
Other borrowed funds	244,788,616	-	244,788,616	178,862,232
Liability payable to the Shareholder	4,691,377	-	4,691,377	4,691,377
Other financial liabilities	4,574,080	-	4,574,080	4,574,080
	1,061,525,759	-	1,061,525,759	965,799,100

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022.

KZT'000	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	245,237,171	-	245,237,171	245,237,171
Placements with banks and other financial institutions	68,450,680	-	68,450,680	66,255,577
Investment securities:				
- measured at amortised cost	831,077,410	-	831,077,410	856,731,799
- at fair value through profit or loss	-	2,171,971	2,171,971	2,171,971
Loans to customers and receivables from sales of real estate under instalment agreements				
- measured at amortised cost	126,896,750	-	126,896,750	101,335,619
- at fair value through profit or loss	-	4,523,388	4,523,388	4,523,388
Finance lease receivables	149,258,306	-	149,258,306	149,258,306
Other financial assets	297,515	-	297,515	297,515
	1,421,217,832	6,695,359	1,427,913,191	1,425,811,346
Debt securities issued	780,249,653	-	780,249,653	764,691,925
Other borrowed funds	235,715,688	-	235,715,688	182,464,081
Other financial liabilities	3,885,402	-	3,885,402	3,885,402
	1,019,850,743	-	1,019,850,743	951,041,408

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

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

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

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

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

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

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rate of 14.6% is used for discounting future cash flows from loans to banks (2022: 14.9%);
- discount rates of 11.4% - 15.4% are used for discounting future cash flows from debt securities (2022: 10.8% - 15.7%);
- discount rates of 14.9% - 26.7 are used for discounting future cash flows from loans to customers and receivables from sales of real estate under instalment agreements (2022: 14.2% - 23.9%);
- the fair values of finance lease receivables approximate their carrying amounts due to the fact that almost all residential complexes are leased under Nurly Zher Programme, the interest rates on which have not changed since the inception of the programme;
- discount rates of 9.2% and 11.1% - 15.4% are used for discounting future cash outflows from debt securities issued and other borrowed funds denominated in RUB and KZT, respectively (2022: 9.0% and 10.4% - 15.5%).

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

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

The table below analyses financial instruments measured at fair value at 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

KZT'000	Level 2	Level 3	Total
Financial assets			
Loans to customers at fair value through profit or loss	-	11,028,026	11,028,026
	-	11,028,026	11,028,026

The table below analyses financial instruments measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

KZT'000	Level 2	Level 3	Total
Financial assets			
Investment securities measured at fair value through profit or loss	2,171,971	-	2,171,971
Loans to customers at fair value through profit or loss	-	4,523,388	4,523,388
	2,171,971	4,523,388	6,695,359

Changes in fair value measurements categorised to Level 3 in the fair value hierarchy for 2023, were as follows:

	2023	2022
	KZT'000	KZT'000
Financial assets		
Balance at the beginning of the year	4,523,388	3,599,878
Net realised income on financial instruments at fair value through profit or loss	5,497,824	1,405,058
Interest charge	-	-
Interest paid	-	-
Purchases into Level 3	1,006,814	-
Repaid	-	(481,548)
Balance at the end of the year	11,028,026	4,523,388

Total gains or losses included in profit or loss for 2023 and 2022 in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	2023 KZT'000	2022 KZT'000
Financial assets		
Net gain on other financial instruments measured at fair value through profit or loss	5,497,824	1,405,058

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2023:

Type of instrument	Fair value, KZT'000	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans to customers at fair value through profit or loss	11,028,026	Discounted cash flows	Discount rate 26.03%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2022:

Type of instrument	Fair value, KZT'000	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans to customers at fair value through profit or loss	4,523,388	Discounted cash flows	Discount rate of 26.66%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2023:

KZT'000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	305,418,549	-	305,418,549	305,418,549
Placements with banks and other financial institutions	69,064,444	-	69,064,444	69,064,444
Investment securities measured at amortised cost	844,352,956	-	844,352,956	834,169,819
Loans to customers and receivables from sales of real estate under instalment agreements measured at amortised cost	79,533,605	2,413,870	81,947,475	105,681,741
Finance lease receivables	129,138,012	9,704,929	138,842,941	138,842,941
Other financial assets	106,170	-	106,170	106,170
Liabilities				
Debt securities issued	777,671,411	-	777,671,411	807,471,686
Other borrowed funds	178,862,232	-	178,862,232	244,788,616
Liability payable to the Shareholder	4,691,377	-	4,691,377	4,691,377
Other financial liabilities	4,574,080	-	4,574,080	4,574,080

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2022:

KZT'000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	245,237,171	-	245,237,171	245,237,171
Placements with banks and other financial institutions	66,255,577	-	66,255,577	68,450,680
Investment securities measured at amortised cost	856,731,799	-	856,731,799	831,077,410
Loans to customers and receivables from sales of real estate under instalment agreements measured at amortised cost	99,738,036	1,597,583	101,335,619	126,896,750
Finance lease receivables	134,014,640	15,243,666	149,258,306	149,258,306
Other financial assets	297,515	-	297,515	297,515
Liabilities				
Debt securities issued	764,691,925	-	764,691,925	780,249,653
Other borrowed funds	182,464,081	-	182,464,081	235,715,688
Other financial liabilities	3,885,402	-	3,885,402	3,885,402

28 Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Operating Segments*. The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.