

**NATIONAL BANK
OF THE REPUBLIC OF
KAZAKHSTAN**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE YEAR
ENDED 31 DECEMBER 2023**

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONTENT**

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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

Management is responsible for the preparation of the consolidated financial statements that present the financial position of the National Bank of the Republic of Kazakhstan (the "NBK" or the "National Bank") and its subsidiaries (the NBK and its subsidiaries together – the "Group") as at 31 December 2023, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Basis of Preparation of the consolidated financial statements described in the Note 2 to the consolidated financial statements (the "Basis of Preparation").

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- following requirements of the Basis of Preparation of consolidated financial statements;
- preparing consolidated financial statements based on the assumption that the Group will continue to operate for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the National Bank;
- maintaining an accounting system that allows at any time, with a sufficient degree of accuracy, to prepare information on the consolidated financial position of the National Bank and ensure compliance of the consolidated financial statements of the National Bank with the requirements of the basic principles for the preparation of consolidated financial statements;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the National Bank; and
- detecting and preventing and detecting fraud, errors and other irregularities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

These consolidated financial statements for the year ended 31 December 2023 were authorised by Management Board on 3 April 2024.

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Suleimenov T. M.
Governor

3 April 2024
Astana, Kazakhstan

Taishibayeva D.A.
Chief Accountant

3 April 2024
Astana, Kazakhstan



Independent Auditor's Report

To the Management Board of the National Bank of the Republic of Kazakhstan:

Our qualified opinion

In our opinion, except for the effect of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements of the National Bank of the Republic of Kazakhstan (hereinafter the “National Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2023 have been prepared, in all material respects, in accordance with the basis of preparation of the consolidated financial statements described in Note 2 to the consolidated financial statements (“the principles of preparation of the consolidated financial statements”).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of cash flows for the year ended 31 December 2023;
- the consolidated statement of changes in equity for the year ended 31 December 2023; and
- the notes to the consolidated financial statements, including material accounting policies and other explanatory information.



Independent Auditor's Report (continued)

Basis for qualified opinion

As presented in Note 17 to the consolidated financial statements, until 1 January 2022, the National Bank accounted for its investment in JSC NC KazMunayGas at cost, which was a departure from the basis of preparation of consolidated financial statements, which require accounting for these investments at fair value through other comprehensive income. In 2022, NC KazMunayGas JSC held an IPO with listing on local exchanges of the Republic of Kazakhstan, which enabled the National Bank to thereafter conduct a reliable assessment of the fair value of these equity securities. The entire difference between the original cost of the investment and its fair value as at 31 December 2022 in the amount of 208,032,480 thousand tenge, including the portion related to changes in fair value in previous years, was recognised in other comprehensive income in 2022. In the absence of a fair valuation of the investment as of 1 January 2022, it was impracticable for us to quantify the appropriate change in fair value to be included in other comprehensive income for 2022. Our opinion on the current period's consolidated financial statements is modified due to the potential impact of the revaluation amount recognised in other comprehensive income in 2022 on the comparability of the current and prior period.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



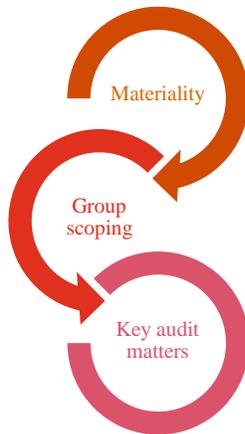
Independent Auditor's Report (continued)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable to our audit of the consolidated financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the consolidated financial statements.

Our audit approach

Overview



- The amount of total assets was taken as the basis for calculating the level of materiality as a whole.
 - We carried out work on the audit of the financial statements of the National Bank and significant balances and transactions of subsidiaries included in the consolidated statements of the Group, as well as reviewed the working papers on the procedures performed by the significant component auditor team.
 - Accounting for the currency in circulation.
 - Fair value measurement of unquoted investments in alternative instruments.
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Independent Auditor's Report (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement of the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also considered the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise from fraud or error. They 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 the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, individually and in aggregate on the consolidated financial statements as a whole.



Independent Auditor's Report (continued)

As stated in Article 7 of the Law of the Republic of Kazakhstan on the National Bank of the Republic of Kazakhstan, the main goal of the National Bank is to ensure price stability in the Republic of Kazakhstan. The Law also directly states that the National Bank, when performing its tasks, should not be guided by the goal of making a profit. Consequently, we have determined the amount of total assets as the basis for calculating the level of materiality.

Key audit matters

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

In addition to the matter discussed in the Basis for qualified opinion section, we have identified the following matters as key audit matters that need to be communicated in our report.



Independent Auditor's Report (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Accounting for the cash in circulation</p> <p>We considered the accounting for currency in circulation as a key audit matter due to the materiality of the balance in the amount of 4,110,361,072 thousand tenge as of 31 December 2023, the importance of the business process for the activities of the National Bank and the materiality of the risk in terms of the completeness of the balance. In addition, due to the specific nature of currency in circulation, determining its actual existence depends on controls and processes around the production of banknotes, physical control over banknotes stored in the National Bank's own vaults and around the destruction of banknotes taken out of circulation.</p> <p>Our focus was on confirming the completeness and accuracy of the balance of currency in circulation.</p> <p>Note 20, Currency in Circulation and Note 30, Risk Management provide detailed information on the balance of currency in circulation.</p>	<p>We gained understanding of, assessed the design and tested the operational effectiveness of selected key controls over processes relating to currency in circulation, including accounting for currency in circulation, production of banknotes, transfers to and from different units of the National Bank and its subsidiary which prints the banknotes, transfers to/ from commercial banks, destruction of damaged/old banknotes, as well as stock counts of banknotes held by the National Bank.</p> <p>To confirm the completeness and accuracy of currency in circulation, we performed the following audit procedures:</p> <ul style="list-style-type: none"> – We assessed the process of accounting for currency in circulation in accordance with the policies and internal regulations of the National Bank and its subsidiaries and compared it to the actual accounting process; – We participated in the year end stock count of banknotes in the storage facility; – We carried out a reconciliation of the year end balance of currency in circulation - plotting the movement of currency in circulation; – We reconciled the movement of banknotes between the National Bank's subsidiary, which prints the banknotes, and the vault of the National Bank to the approved annual plan for production of banknotes and amendments to that plan; – On a sample basis we tested transfer of banknotes to and receipt of banknotes from commercial banks, including old banknotes; – On a sample basis we tested destruction of old/damaged banknotes; – We have reviewed the accuracy and completeness of the disclosures regarding currency in circulation in the Group's consolidated financial statements.



Independent Auditor's Report (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Fair value measurement of unquoted investments in alternative instruments</p> <p>As disclosed in Note 16, the Group invests in alternative instruments, which include investments in hedge funds, private equity funds and real estate funds. These investments are accounted for by the Group at fair value through profit or loss.</p> <p>As the fair value of unquoted investments is recorded in the consolidated financial statements based on the values received from the fund managers and due to the significant balance of these investments of 1,198,454,863 thousand tenge at 31 December 2023, this matter was identified as a key audit matter.</p>	<p>We have gained an understanding of and then assessed the design and tested the operational effectiveness of selected key controls over the process of monitoring and overseeing the valuation of alternative instruments. This includes the Group's process for the selection of fund managers of funds and subsequent monitoring of fund managers.</p> <p>We performed amongst other procedures the following audit procedures to confirm the accuracy of fair value measurements of unquoted investments in alternative instruments:</p> <ul style="list-style-type: none"> – We reviewed the Group's due diligence regarding the assessment of potential external investment managers for hedge funds, private equity funds and real estate funds, as well as the assessment of the funds in which the fund managers have invested; – We studied the terms and conditions of the trust investment management agreement, the investment strategy for managing a portfolio of alternative instruments, agreements of special purpose vehicles for a portfolio of alternative instruments and additional agreements thereto, including the frequency and method of the fund managers providing valuations of the investments; – We obtained an understanding of the reputation, experience and independence of the external managers in relation to the Group, and the reputation and experience of the external auditors of the consolidated hedge funds, private equity funds and real estate funds; – We verified that the Group accounts for investments in hedge funds, private equity funds and real estate funds at the Group's consolidated financial statements level in accordance with the Group's accounting policies;



Independent Auditor's Report (continued)

Key audit matters	How our audit addressed the key audit matters
<p>See Note 2, Material Accounting Policies And Critical Estimates And Judgments in Applying Accounting Policies, Note 16, Financial Instruments at Fair Value through Profit or Loss, Note 30, Risk Management, and Note 35, Financial Assets and Liabilities: Fair Value and Accounting Classifications" provides detailed information on determining fair value and accounting for unquoted investments.</p>	<ul style="list-style-type: none"> – We received confirmation letters containing fair value amounts for investments in hedge funds, private equity and real estate funds from the independent external fund managers and compared them to those presented in the consolidated financial statements; – On a sample basis we tested cash-flow movements of investments in 2023; – We compared the fair value amounts of investments in hedge funds, private equity funds and real estate funds presented in the Group's prior year consolidated financial statements with those presented in the audited financial statements of hedge funds, private equity funds and real estate funds for 2022 to gain comfort that the unaudited valuations provided in prior periods do not differ significantly from the final 31 December valuations included in the funds' own audited financial statements. – We reviewed the accuracy and completeness of the disclosures for alternative investments in the Group's consolidated financial statements, including the determination of the level of the fair value hierarchy.



Independent Auditor's Report (continued)

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes the National Bank and 12 subsidiaries. Accounting is maintained by each subsidiary independently, while group reporting forms for consolidation purposes are uploaded by subsidiaries into a special platform of the National Bank, and then the Group's consolidated group reporting forms are generated automatically.

Subsidiaries represent approximately 23% of the Group's total assets as at 31 December 2023. Of these, one subsidiary has been identified by us as a significant component of the Group. For this subsidiary, we determined the level of materiality and reviewed the working papers on the procedures performed by the component auditor team as part of the audit of the financial statements of this organisation. For the remaining subsidiaries of the Group, we carried out work on the audit of significant balances and transactions of subsidiaries included in the consolidated statements of the Group.



Independent Auditor's Report (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we have not received prior to the date of this audit report and which we expect to be provided to us after that date.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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



Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, control and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Independent Auditor's Report (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aigul Akhmetova.

On behalf of PricewaterhouseCoopers LLP

Approved by:

Signed by:

Azamat Konratbayev
Managing Partner
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
№0000005 dated 21 October 1999)

Aigul Akhmetova
Partner, Auditor in charge
(Qualified Auditor's Certificate
№0000083 dated 27 August 2012)

3 April 2024
Almaty, Kazakhstan

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
	Note	KZT'000	KZT'000
		<u> </u>	<u>(restated)</u>
Interest income calculated using effective interest rate method	4	629,000,691	453,488,188
Interest expense	4	(1,082,304,823)	(643,218,271)
Net interest expense		<u>(453,304,132)</u>	<u>(189,730,083)</u>
Fee and commission income		40,981,063	31,561,869
Fee and commission expense		(6,470,689)	(7,070,697)
Net fee and commission income		<u>34,510,374</u>	<u>24,491,172</u>
Net gain on financial instruments at fair value through profit or loss	5	160,915,641	57,075,764
Net loss on investment securities at fair value through other comprehensive income		(16,898,011)	(50,280,652)
Share of profit of associates		3,235,463	2,126,524
Income/(Expenses) on rehabilitation of the banking sector and economy	6	985,143	(172,460,175)
Other operating income	7	151,357,667	66,407,777
Other operating expense	8	(46,775,086)	(212,033,272)
Income on recovery of allowance for credit losses	15,17,18,19	18,382,629	12,316,695
Banknotes and coins production expenses	9	(15,432,128)	(17,741,366)
Personnel expenses	10	(48,733,819)	(28,651,988)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
	Note	KZT'000	KZT'000
		(7,735,569)	(6,963,352)
Depreciation and amortisation		(7,735,569)	(6,963,352)
Other general and administrative expenses	11	(18,239,599)	(17,152,392)
Loss before income tax		(237,731,427)	(532,595,348)
Income tax expense	12	(34,268,510)	(2,823,584)
Loss for the year		(271,999,937)	(535,418,932)
Loss/profit attributable to:			
- Equity holders of the National Bank		(272,345,718)	(535,783,126)
- Non-controlling interests		345,781	364,194
Loss for the year		(271,999,937)	(535,418,932)

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Suleimenov T. M.
Governor

3 April 2024
Astana, Kazakhstan

Taishibayeva D. A.
Chief Accountant

3 April 2024
Astana, Kazakhstan

The notes on pages 29-182 are form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	KZT'000	KZT'000
Loss for the year	(271,999,937)	(535,418,932)
Other comprehensive income, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Movement in fair value reserve (debt instruments):		
- Net change in fair value	(38,297,576)	(217,276,622)
- Net change in fair value transferred to profit or loss	45,624,077	69,430,973
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<u>7,326,501</u>	<u>(147,845,649)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Movement in fair value reserve (equity instruments)	128,379,118	(210,655,942)
Foreign currency translation reserve	(37,790,209)	224,299,004
Precious metals revaluation reserve	1,041,036,966	700,580,375
<i>Total items that will not be reclassified to profit or loss</i>	<u>1,131,625,875</u>	<u>714,223,437</u>
Other comprehensive income for the year, net of income tax	1,138,952,376	566,377,788
Total comprehensive income for the year	<u>866,952,439</u>	<u>30,958,856</u>
Total comprehensive income attributable to:		
- Equity holders of the National Bank	866,607,932	30,593,076
- Non-controlling interests	344,507	365,780
Total comprehensive income for the year	<u>866,952,439</u>	<u>30,958,856</u>

**On behalf of the Management Board of the National Bank of the Republic of
Kazakhstan:**

Suleimenov T. M.
Governor

Taishibayeva D. A.
Chief Accountant

3 April 2024
Astana, Kazakhstan

3 April 2024
Astana, Kazakhstan

The notes on pages 29-182 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 December 2023 KZT'000	31 December 2022 KZT'000 (restated)*
ASSETS			
Cash and cash equivalents	13	3,597,190,984	2,480,721,014
Gold	14	8,973,752,449	9,525,538,229
Loans and deposits with banks and other financial institutions	15	2,229,661,326	2,164,762,476
Financial instruments at fair value through profit or loss	16	1,200,504,369	1,110,237,951
Investment securities measured at fair value through other comprehensive income			
- Pledged under sale and repurchase agreements	17	6,007,596	5,775,086
- Not pledged under sale and repurchase agreements	17	5,603,596,086	4,552,667,814
Investment securities measured at amortised cost	18	297,860,841	1,406,034,598
Investments in associates		12,617,439	9,381,975
Property, plant and equipment		80,126,629	77,886,265
Intangible assets		9,117,651	9,571,455
Current tax asset		8,386,104	7,222,052
Deferred tax assets	12	312,609,362	345,284,882
Other assets	19	1,206,312,427	1,128,627,213
Total assets		23,537,743,263	22,823,711,010
LIABILITIES			
Currency in circulation	20	4,110,361,072	3,824,305,306
Deposits and balances from banks and other financial institutions	21	8,229,577,093	8,265,058,566
Financial instruments measured at fair value through profit or loss	16	2,611,916	1,770,940
Repurchase agreements		6,294,517	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	22	133,146,046	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	23	1,932,859,394	1,815,667,695
Customer accounts	24	368,734,110	335,439,122

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		31 December 2023	31 December 2022
	Note	KZT'000	KZT'000 (restated)*
Debt securities issued	25	2,416,342,978	3,424,605,376
Provisions	26	56,337,341	225,896,837
Current tax liability		8,478	7,194
Deferred tax liabilities	12	2,696,549	3,104,274
Other liabilities	27	645,202,965	36,557,200
Total liabilities		17,904,172,459	18,057,086,801
EQUITY			
Charter capital	28	20,000,000	20,000,000
Special guarantee reserve	28	970,240,870	804,355,658
Other reserves		3,977,154	4,032,306
Revaluation reserve for property and equipment		27,941,288	28,458,489
Reserve for changes in fair value of financial assets		(244,026,916)	(379,720,336)
Revaluation reserve for foreign currency, foreign currency derivatives and precious metals		9,501,735,080	8,498,487,049
Accumulated losses		(4,648,568,329)	(4,210,916,307)
Total equity attributable to equity holders of the National Bank		5,631,299,147	4,764,696,859
Non-controlling interests	28	2,271,657	1,927,350
Total equity		5,633,570,804	4,766,624,209
Total liabilities and equity		23,537,743,263	22,823,711,010

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Suleimenov T. M.
Governor

Taishibayeva D. A.
Chief Accountant

3 April 2024
Astana, Kazakhstan

3 April 2024
Astana, Kazakhstan

The notes on pages 29-182 form an integral part of these consolidated financial statements.

*The third statement of financial position as at 1 January 2022 was presented in Note 2.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	KZT'000	KZT'000
		(restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(237,731,427)	(532,595,348)
<i>Adjustments for:</i>		
Depreciation and amortisation	7,735,569	6,963,352
Income on recovery of allowance for credit losses	(18,382,629)	(12,355,812)
Provisions	(1,597,045)	(3,196,108)
Compensation for individuals' deposits	(14,641,014)	167,962,452
Impairment losses on other non-financial assets	-	39,117
Loss from disposal of property, plant and equipment	1,491,972	389,183
Interest expense	1,082,304,823	643,218,271
Interest income calculated using the effective interest rate method	(629,000,691)	(453,488,189)
Net gain on financial instruments at fair value through profit or loss	(153,523,618)	(57,075,764)
Share of profit of associates	(3,235,463)	(2,126,524)
(Increase)/decrease in operating assets		
Gold	1,593,786,874	1,430,295,794
Loans and deposits with banks and other financial institutions	(56,226,466)	123,683,058

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 KZT'000	2022 KZT'000 (restated)
Financial instruments measured at fair value through profit or loss	65,426,298	734,181
Investment securities measured at fair value through other comprehensive income	911,787,057	(1,480,397,866)
Other assets	(77,737,789)	(247,723,658)
Increase/(decrease) in operating liabilities		
Currency in circulation	286,055,766	372,085,188
Deposits and balances from banks and other financial institutions	69,961,391	619,991,432
Financial instruments measured at fair value through profit or loss	1,036,889	(412,831)
Repurchase agreements	233,229	(144,008,161)
Current accounts of the National Fund of the Republic of Kazakhstan	14,530,658	(943,515,297)
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	130,776,074	931,492,386
Customer accounts	33,244,644	128,482,455
Provisions	(153,325,937)	-
Other liabilities	32,190,440	(16,368,584)
Interest received	611,760,388	375,255,409
Interest paid, excluding interest paid on issued debt securities	(494,437,940)	(285,350,425)
Dividends received	28,726,066	21,242,300
Income tax paid	(3,163,482)	(900,770)
Net cash flows from operating activities	3,028,044,637	642,319,241

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 KZT'000	2022 KZT'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(313,462,893)	(261,178,027)
Repayment of investment securities measured at amortised cost	73,665,690	56,261,754
Acquisition of property, plant and equipment and intangible assets	(11,014,109)	(18,753,306)
Proceeds from sale of property, equipment and intangible assets	8	635,634
Investments in capital of associates	-	(34,546)
Net cash used in investing activities	(250,811,304)	(223,068,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of debt securities	32,330,597,237	18,523,513,261
Repayment of debt securities issued	(33,361,101,647)	(18,165,968,913)
Payment of interest on issued debt securities	(556,401,643)	(323,969,113)
Net cash from/(used in) financing activities	(1,586,906,053)	33,575,235
Net increase/(decrease) in cash and cash equivalents	1,190,327,280	452,825,985
Effect of changes in exchange rates on cash and cash equivalents	(73,865,915)	459,501,080
Cash and cash equivalents at the beginning of the year, gross	2,481,233,202	1,568,906,137
Cash and cash equivalents at the end of the year (Note 13)	3,597,694,567	2,481,233,202

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Suleimenov T. M.
Governor

Taishibayeva D. A.
Chief Accountant

3 April 2024
Astana, Kazakhstan

3 April 2024
Astana, Kazakhstan

The notes on pages 29-182 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

KZT*000	Equity attributable to equity holders of the National Bank									
	Charter capital	Special guarantee reserve	Other reserves	Revaluation reserve for property and equipment	Reserve for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses	Total	Non-controlling interests	Total equity
Balance 1 January 2023	20,000,000	804,355,658	4,032,306	28,458,489	(379,720,336)	8,498,487,049	(4,210,916,307)	4,764,696,859	1,927,350	4,766,624,209
Total comprehensive income										
Loss for the year	-	-	-	-	-	-	(272,345,718)	(272,345,718)	345,781	(271,999,937)
Other comprehensive income										
<i>Movement in fair value reserve (debt instruments):</i>										
Net change in fair value	-	-	-	-	(38,297,576)	-	-	(38,297,576)	-	(38,297,576)
Net amount transferred to profit or loss	-	-	-	-	45,624,077	-	-	45,624,077	-	45,624,077
<i>Movement in fair value reserve (equity instruments):</i>										
Net change in fair value	-	-	-	-	128,366,919	-	12,199	128,379,118	-	128,379,118
Foreign currency and foreign currency derivative financial instruments revaluation reserve	-	-	-	-	-	(37,788,935)	-	(37,788,935)	(1,274)	(37,790,209)
Precious metals revaluation reserve	-	-	-	-	-	1,041,036,966	-	1,041,036,966	-	1,041,036,966
Total other comprehensive income	-	-	-	-	135,693,420	1,003,248,031	12,199	1,138,953,650	(1,274)	1,138,952,376
Total comprehensive income for the year	-	-	-	-	135,693,420	1,003,248,031	(272,333,519)	866,607,932	344,507	866,952,439
Transfer of revaluation reserve resulting from depreciation and disposals	-	-	-	(517,201)	-	-	512,007	(5,194)	-	(5,194)
Transactions with owners recorded directly in equity:										
Formation and redistribution of special guarantee reserve	-	165,885,212	-	-	-	-	(165,885,212)	-	-	-
Share premium of subsidiaries	-	-	-	-	-	-	(450)	(450)	-	(450)
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	(200)	(200)
Adjustment of NPCK for reserves	-	-	(55,152)	-	-	-	55,152	-	-	-
Total transactions with owners	-	165,885,212	(55,152)	-	-	-	(165,830,510)	(450)	(200)	(650)
Balance at 31 December 2023	20,000,000	970,240,870	3,977,154	27,941,288	(244,026,916)	9,501,735,080	(4,648,568,329)	5,631,299,147	2,271,657	5,633,570,804

* As the effect is not significant, the restatement was reflected only in the consolidated statement of changes in equity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

KZT'000	Equity attributable to equity holders of the National Bank									
	Charter capital	Special guarantee reserve	Other reserves	Reserve for revaluation of fixed assets	Reserve for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses	Total	Non-controlling interests	Total equity
Balance 1 January 2022	20,000,000	685,322,567	4,032,306	28,982,199	(23,584,179)	7,573,609,256	(3,580,710,836)	4,707,651,313	1,558,333	4,709,209,646
Restatement of retained earnings from prior years due to revaluation of the fair value of certain assets *	-	-	-	-	-	-	26,407,744	26,407,744	-	26,407,744
Restated balance at 1 January 2022	20,000,000	685,322,567	4,032,306	28,982,199	(23,584,179)	7,573,609,256	(3,554,303,092)	4,734,059,057	1,558,333	4,735,617,390
Total comprehensive income										
Loss for the year	-	-	-	-	-	-	(535,783,126)	(535,783,126)	364,194	(535,418,932)
Other comprehensive income										
<i>Movement in fair value reserve (debt instruments):</i>										
Net change in fair value	-	-	-	-	(217,276,622)	-	-	(217,276,622)	-	(217,276,622)
Net amount transferred to profit or loss	-	-	-	-	69,430,973	-	-	69,430,973	-	69,430,973
<i>Movement in fair value reserve (equity instruments):</i>										
Net change in fair value	-	-	-	-	(208,290,508)	-	(2,365,434)	(210,655,942)	-	(210,655,942)
Foreign currency and foreign currency derivative financial instruments revaluation reserve	-	-	-	-	-	224,297,418	-	224,297,418	1,586	224,299,004
Precious metals revaluation reserve	-	-	-	-	-	700,580,375	-	700,580,375	-	700,580,375
Total other comprehensive income	-	-	-	-	(356,136,157)	924,877,793	(2,365,434)	566,376,202	1,586	566,377,788
Total comprehensive income for the year	-	-	-	-	(356,136,157)	924,877,793	(538,148,560)	30,593,076	365,780	30,958,856
Transfer of revaluation reserve resulting from depreciation and disposals	-	-	-	(523,710)	-	-	568,743	45,033	3,494	48,527
Transactions with owners recorded directly in equity:										
Formation and redistribution of special guarantee reserve	-	119,033,091	-	-	-	-	(119,033,091)	-	-	-
Share premium of subsidiaries	-	-	-	-	-	-	(564)	(564)	-	(564)
Decrease in non-controlling shares	-	-	-	-	-	-	257	257	(257)	-
Total transactions with owners	-	119,033,091	-	-	-	-	(119,033,398)	(307)	(257)	(564)
Balance at 31 December 2022	20,000,000	804,355,658	4,032,306	28,458,489	(379,720,336)	8,498,487,049	(4,210,916,307)	4,764,696,859	1,927,350	4,766,624,209

* As the effect is not significant, the restatement was reflected only in the consolidated statement of changes in equity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

On behalf of the Management Board of the National Bank of the Republic of Kazakhstan:

Suleimenov T. M.
Governor

3 April 2024
Astana, Kazakhstan

Taishibayeva D. A.
Chief Accountant

3 April 2024
Astana, Kazakhstan

The notes on pages 29-182 are an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

(a) Organisational structure and operations

The consolidated financial statements presented include the financial statements of the National Bank of the Republic of Kazakhstan (hereinafter - the “NBK”) and its subsidiaries (hereinafter - the “Group”).

The NBK was established in accordance with the Resolution of the Supreme Council of the Republic of Kazakhstan No.2134-XII dated 13 April 1993. Pursuant to this Resolution the State Bank of Kazakh SSR was renamed as the National Bank of the Republic of Kazakhstan.

The primary role of the NBK is to ensure stability of prices in the Republic of Kazakhstan. The NBK is assigned with the following tasks: development and implementation of the monetary policy of the state; ensuring functioning of payment systems; exchange regulation and exchange control; ensuring stability of the financial system; conducting statistical activities in the field of monetary statistics and external sector statistics; other functions in accordance with the laws of the Republic of Kazakhstan and the acts of the President of the Republic of Kazakhstan.

In accordance with the tasks imposed thereon, the Group exercises the following principal functions: develops and implements the monetary policy in the Republic of Kazakhstan; acts as a sole issuer of banknotes and coins of the Republic of Kazakhstan and manages currency in circulation on the territory of the Republic of Kazakhstan; exercises currency regulation and currency control in the Republic of Kazakhstan; ensures management of the foreign currency assets and precious metals; carries out trust management of the National Fund the Republic of Kazakhstan on a basis of the trust management agreement concluded between the NBK and the Government of the Republic of Kazakhstan; carries out trust management of the pension assets of “Unified Accumulative Pension Fund” JSC (“UAPF”) on the basis of the trust management agreement concluded between the NBK and UAPF; exercises other functions and performs other duties as provided for by the Law “On the National Bank of the Republic of Kazakhstan”, other laws of the Republic of Kazakhstan and Edicts of the President of the Republic of Kazakhstan.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION, CONTINUED

(a) Organisation and operations, continued

The NBK's head office is registered at 57A, Mangilik El avenue, Astana, Z05T8F6, Republic of Kazakhstan. As of 31 December 2023 the NBK operates 21 branches, 1 representative office in Almaty and has 12 subsidiaries in the Republic of Kazakhstan.

Below is the list of all NBK direct subsidiaries:

Name	Year of establishment	Principal activity	Ownership interest, %	
			2023	2022
RSE "Kazakhstan Mint of the National Bank of the Republic of Kazakhstan"	1994	Coins manufacturing	100.00	100.00
JSC "National Payment Corporation of the National Bank of the Republic of Kazakhstan"	1996	Electronic money transfers	100.00	100.00
JSC "Bank Service Bureau of the National Bank of Kazakhstan"	1996	Software development and maintenance	100.00	100.00
JSC "Kazakhstan Deposit Insurance Fund" (the "KDIF")	1999	Individual deposit guaranteeing	100.00	100.00
RSE "Banknote Factory of National Bank of the Republic of Kazakhstan"	2004	Banknote manufacturing	100.00	100.00
JSC "Center for the Development of Payment and Financial Technologies of the National Bank of the Republic of Kazakhstan"	2007	Providing research and consulting services for the National Bank in the field of payment and financial technologies	100.00	100.00

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION, CONTINUED

(a) Organisation and operations, continued

Name	Year of establishment	Principal activity	Ownership interest, %	
			2023	2022
JSC “Center of Activities’ Maintenance of the National Bank of Kazakhstan”	2011	Transportation services, carrying out business activities for property management	100.00	100.00
JSC “National Investment Corporation of the National Bank of Kazakhstan” (the “NIC NBK” JSC)	2012	Management of assets of the National Fund of the Republic of Kazakhstan, gold and foreign exchange assets of the NBK, pension assets	100.00	100.00
JSC “State Credit Bureau”	2012	Generation of credit histories and issue of credit reports	100.00	100.00
NICK Master Fund Ltd	2015	Management of gold and foreign currency assets of the NBK	100.00	100.00
JSC “Kazakhstan Sustainability Fund” (the “KSF” JSC)	2017	Ensuring financial stability of the banking sector through financial support of second-tier banks and economy	100.00	100.00
JSC “Central Securities Depository”	1996	Depository activity	63.24	63.24

Since 2019, investments in “Kazakhstan Stock Exchange” JSC (hereinafter – the “KASE” JSC) have been classified as investments in an associated organisation.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

1. INTRODUCTION, CONTINUED**(a) Organisation and operations, continued**

In 2023, by Resolution of the Board of Directors No. 17 dated March 3, 2023, the state enterprise with the right of economic management “Kazakhstan Center for Interbank Settlements of the National Bank of the Republic of Kazakhstan” was reorganized by transforming it into a joint-stock company “National Payment Corporation of the National Bank of the Republic of Kazakhstan”.

(b) Environment of carrying out economic activities in the Republic of Kazakhstan

The Group’s operations are primarily located in Kazakhstan. Consequently, the National Bank is exposed to the economic and financial risks in the market of the Republic of Kazakhstan, which exhibit characteristics inherent in developing markets. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, that together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan.

In 2023, the economy of Kazakhstan was influenced by external economic conditions related to geopolitical tensions in the world, high level of global inflation despite its reduction, the volatility of world prices in commodity markets and changes in the nature of foreign trade transactions.

The inflation rate in Kazakhstan stood at 9.8% in December 2023 after peaking at 21.3% in February 2023. Economic growth in 2023 was 5.1%, and, according to analysts, the growth rate of the national economy in the next three years will average more than 4% per year. As of the date of this report, the official exchange rate of the NBK was 454.56 tenge per US dollar as of 31 December 2023 (31 December 2022: 462.65 tenge per US dollar).

In general, the economy of the Republic of Kazakhstan continues to exhibit some characteristic features inherent in developing markets. Thus, political, economic and social changes are taking place in the Republic of Kazakhstan. The high degree of integration of Kazakhstan with the economies of neighbouring countries makes the economy of the Republic of Kazakhstan susceptible to the influence of the unstable situation in international capital markets.

The National Bank continued to take measures to ensure price stability. First of all, this implies a monetary policy aimed at achieving the medium-term inflation target of 5%. In the second half of 2023, in the context of a slowdown in inflationary processes, the base rate was reduced to 15.75% (16.75% in December 2022).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**(a) Applicable standards**

The presented consolidated financial statements reflect management's assessment of the possible impact of the current operating conditions on the Group's results of operations and financial position. The actual impact of future business conditions may differ from management's estimates.

In accordance with the Law of the Republic of Kazakhstan No.2155 dated 30 March 1995 “On the National Bank of the Republic of Kazakhstan” the NBK determines its accounting policies taking into account International Financial Reporting Standards (“IFRS”). However, NBK is not obliged to follow IFRS in full.

These consolidated financial statements have been prepared to present the consolidated financial position of the Group and the results of its operations in accordance with the accounting policies of the NBK, which were approved by the Board of Directors of the National Bank on 27 June 2013 with changes and addendums dated 26 December 2023 and which the Group considers to be appropriate given the nature of central bank activity. The NBK's accounting policies are based on IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), with the principal modifications described below:

- gold and gold deposits are revalued based on the market value of gold; gains from the revaluation of gold and translation of all monetary assets and liabilities, derivatives denominated in foreign currencies to Kazakhstani tenge are recorded as other comprehensive income in equity (revaluation accounts). Losses from the revaluation of gold and translation of all monetary assets and liabilities, derivatives denominated in foreign currencies to Kazakhstani tenge are recorded as other comprehensive income in equity (revaluation accounts) to the extent that those do not exceed prior periods' net unrealized/realised gains accumulated in equity (revaluation accounts), and excess over net unrealised/realised gains is directly recognised as losses in the consolidated statement of profit or loss. This accounting treatment applies to the currency position entirely.

- the NBK classified a portfolio of investment securities under external management into the category “measured at fair value through other comprehensive income”, despite the fact that this portfolio has characteristics of a different business model.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(b) Functional and presentation currency of the consolidated financial statements**

The functional currency of the NBK and its subsidiaries is the Kazakhstani tenge, which, being the national currency of the Republic of Kazakhstan, best reflects the economic essence of the majority of transactions carried out by the NBK and the related circumstances affecting its activities. The Kazakhstan tenge is also the presentation currency of these consolidated financial statements.

The modification applied by the Group to the newly adopted and effective IFRS standards is described in this section.

All consolidated financial statements data have been rounded to the nearest thousand tenge.

(c) Principles for assessing financial performance

The consolidated financial statements are prepared in accordance with the historical cost basis, except for gold, financial instruments at fair value through profit or loss, investment securities at fair value through other comprehensive income and buildings, structures, land and motor vehicles recorded at revalued values.

(i) *Subsidiaries*

Subsidiaries are investees that are under the control of the Group. The Group controls an investee if the Group is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to influence those returns through the use of its power over the investee. In particular, the Group consolidates the financial statements of investees that it substantially controls. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is effectively established until the date that control effectively ceases.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(c) Principles for assessing financial performance, continued****(ii) *Fund management***

The NBK manages the assets of investment companies for the benefit of investors. The financial statements of these companies are not included in the Group's consolidated financial statements unless the Group controls such company.

(iii) *Associated organisations*

Associates are entities over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the profits and losses of associates, calculated using the equity method, from the date that significant influence effectively commences until the date that significant influence effectively ceases. Where the Group's share of losses in an associate exceeds the Group's interest (including long-term loans) in the associate, that interest is reduced to zero and subsequent losses are no longer recognised unless the Group has obligations in respect of the associate organisations.

(iv) *Transactions eliminated during consolidation*

Intra-group assets and liabilities, capital, income, expenses, and cash flows associated with transactions between subsidiaries and between NBK and subsidiaries are completely eliminated in the process of preparing consolidated financial statements.

(v) *Non-controlling interests*

Non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly, to NBK.

Non-controlling interests are reflected in equity in the consolidated statement of financial position, separately from capital attributable to owners of NBK.

Non-controlling interests in profit or loss and total comprehensive income are shown as a separate line item in the consolidated statement of profit or loss and in the consolidated statement of comprehensive income.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(c) Principles for assessing financial performance, continued****(v) *Interests of non-controlling shareholders, continued***

In accordance with the decision of the Board of the NBK, in 2023, a transaction was carried out to sell 50 percent of the shares of special purpose vehicles of a portfolio of alternative instruments of gold and foreign exchange assets of the NBK, investing in private capital funds, real estate and hedge funds, to the National Fund of the Republic of Kazakhstan (hereinafter referred to as the National Fund) (Note 27). The NBK received compensation from the National Fund for the share sold to it in the form of a portfolio of assets, which were subsequently included in the investment portfolio of gold and foreign exchange assets of the NBK.

After this transaction, the NBK did not lose its control over the companies and/or special purpose partnerships, since it is the investment manager of the National Fund. A 50% share in companies and/or special purpose partnerships created for investment purposes is recognised as a liability due to the limited life of the companies and/or special purpose partnerships created for the purpose of investing or repurchasing shares at the request of the shareholder.

(d) Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate prevailing at the reporting date. Foreign exchange gains resulting from the translation of monetary assets and liabilities into foreign currencies are recognised in other comprehensive income. Losses arising on the revaluation of monetary assets and liabilities are recognised in profit or loss unless a previous revaluation increase recognised in other comprehensive income is written off directly in equity. In this case, they are reflected in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at exchange rates prevailing on the dates when fair value is determined.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(d) Foreign currency, continued**

Non-monetary assets and liabilities denominated in foreign currencies and recorded at cost are translated into the functional currency at the exchange rate prevailing on the date of the transaction.

(e) Interest income and expenses***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 discounts estimated future cash payments or receipts through the expected life of the financial instrument to exactly:

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

When calculating the effective interest rate on financial instruments that are not acquired or originated credit-impaired assets, the NBK estimates future cash flows taking into account all the contractual terms of the financial instrument, but excluding expected credit losses. For acquired or originated credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated using the amount of expected future cash flows, including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and amounts 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 book value

The “amortised cost” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus payments of principal, plus or minus the cumulative amortisation of the difference between that initial amount and the amount payable at maturity. maturity calculated using the effective interest method and, for financial assets, adjusted to take into account the loss allowance.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(e) Interest income and expenses, continued*****Amortised cost and gross book value, continued***

The “gross carrying amount of a financial asset” measured at amortised cost is the amortised cost of the financial asset before adjustment for the loss allowance.

The effective interest rate on a financial asset or financial liability is calculated on initial recognition of the financial asset or financial liability. When 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 the amortised cost of the liability. The effective interest rate is revised as a result of periodic revaluation of the cash flows of floating rate instruments to reflect changes in market interest rates.

However, for financial assets that become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the financial asset is no longer credit-impaired, interest income is calculated again on the basis of the gross carrying amount.

For financial assets that were credit-impaired at initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. Interest income on such assets is not calculated on the basis of gross carrying amount, even if their credit risk subsequently decreases.

Presentation of information

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

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

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

Interest income on non-derivative debt financial assets at fair value through profit or loss is included in “Net gains from financial instruments at fair value through profit or loss” in the consolidated statement of profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments****(i) Classification of financial instruments*****Financial assets***

On initial recognition, a financial asset is classified as being measured at either amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not classified at the discretion of the NBK as measured at fair value through profit or loss:

- the asset is held within the framework of a business model, the purpose of which is to hold assets to collect the required cash flow agreement; and
- the contractual terms of the financial asset provide for the occurrence, on specified dates, of cash flows that represent solely the payment of the principal amount and interest accrued on the outstanding portion of the principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated by the NBK as at fair value through profit or loss, except for the modification of accounting policies described in Note 2(a):

- the asset is held within the framework of a business model, the purpose of which is achieved both through the collection of contractual cash flows and through the sale of 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 accrued on the principal amount outstanding.

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

- interest income calculated using the effective interest rate method;
- expected credit losses and reversals of impairment losses.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(i) *Classification of financial instruments, continued******Financial assets, continued***

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

Upon initial recognition of non-trading equity investments, the National Bank may elect, irrevocably, to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made for each investment separately.

For such equity instruments, gains and losses are never reclassified to profit or loss and no impairment is recognised in profit or loss.

Dividends are recognised in profit or loss unless they clearly represent a return of part of the investment's original cost, in which case the dividend is recognised in other comprehensive income. When an investment is disposed of, accumulated gains and losses recognised in other comprehensive income are transferred to retained earnings (accumulated losses).

All other financial assets are classified as at fair value through profit or loss.

Assessment of business models

The Group assesses the purpose of the business model within which the asset is held at the portfolio level as this best reflects the way the business is managed and the way information is presented to management. The group analyses the following information:

- policies and objectives established for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on collecting contractual interest income, maintaining a particular interest rate structure, ensuring that the maturities of financial assets match the maturities of the financial liabilities used to finance those assets, or realizing cash flows through the sale of assets;

- how the performance of the portfolio is assessed and how this information is communicated to management of NBK;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(i) *Classification of financial instruments, continued*****Assessment of business models, continued**

- the risks affecting the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how the managers responsible for managing the portfolio are remunerated (for example, does this remuneration depend on the fair value of the specified assets or on the contractual cash flows received on the assets);

- the frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding future sales levels. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the NBK's stated goal of managing financial assets is achieved and how cash flows are realised.

However, a portfolio of externally managed investment securities is classified as “measured at fair value through other comprehensive income” even though the portfolio exhibits the characteristics of a different business model.

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

For the purposes of this assessment, “principal amount” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as consideration for the time value of money, for credit risk on the principal amount remaining outstanding for a specified period of time, and for other fundamental risks and costs associated with lending (for example, liquidity risk and administrative costs), and include profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding (“SPPI test”), the NBK analyses the contractual terms of the financial instrument. This involves assessing whether the contractual terms of the financial asset contain any term that could change the timing or amount of the contractual cash flows so that the financial asset does not satisfy the requirement being analysed. When making an assessment, the NBK takes into account:

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(i) *Classification of financial instruments, continued*****Assessing whether contractual cash flows are solely payments of principal and interest, continued**

- contingent events that may change the timing or amount of cash flows;
- conditions that have a lever effect (leverage);
- conditions for early repayment and extension of validity;
- conditions that limit the NBK's claims to cash flows from specified assets (for example, non-recourse financial assets); and
- conditions that result in changes in consideration for the time value of money, such as repricing of interest rates on a periodic basis.

Reclassification

The classification of financial assets does not change after initial recognition except in the period following the NBK changing its business model for managing financial assets.

Financial liabilities

The classification of financial liabilities cannot be changed after their initial recognition.

(ii) *Derecognition***Financial assets**

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued*****(ii) Derecognition, continued*****Financial assets, continued**

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the part of the asset that is derecognised) and the amount of (i) the consideration received (including the amount of the new asset received less the amount of the new liability assumed) and (ii) Any cumulative gain or loss that was recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income on equity investment securities designated at the discretion of the NBK as measured at fair value through other comprehensive income is not subject to reclassification to profit or loss upon derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition created or retained by the NBK is recognised as a separate asset or liability.

The NBK enters into transactions under which it transfers assets recognised in the consolidated statement of financial position, but either retains all or substantially all of the risks and rewards of ownership of the transferred assets, or a portion thereof. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and repo transactions.

Financial liabilities

The NBK derecognises a financial liability when the contractual obligations under it are fulfilled, cancelled or terminated.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iii) *Modification of terms of financial assets and financial liabilities*****Financial assets**

If the terms of a financial asset change, the NBK assesses whether the cash flows of the modified asset are significantly different. If the cash flows are significantly different (“significant modification”), the rights to the contractual cash flows of the original financial asset are considered to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value plus related transaction costs. Commission fees received as part of the modification are recognised as follows:

- amounts of commission fees that are taken into account when determining the fair value of a new asset, as well as amounts of commission fees that represent reimbursement of relevant transaction costs, are included in the initial valuation of this asset; and
- other commission amounts are recognised in profit or loss as part of the gain or loss on derecognition.

Changes in the amount of cash flows on existing financial assets or financial liabilities are not considered modifications of terms if they result from the current terms of the contract.

The NBK makes a quantitative and qualitative assessment of whether the modification of terms is significant, that is, whether the cash flows of the original financial asset and the cash flows of the modified or replacement financial asset are significantly different. The NBK conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analysing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors.

If the cash flows are significantly different, the rights to the contractual cash flows of the original financial asset are considered to have expired. When carrying out this assessment, the NBK is guided by instructions regarding the derecognition of financial liabilities by analogy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued*****(iii) Modification of terms of financial assets and financial liabilities, continued*****Financial assets, continued**

The NBK concludes that the modification of the terms is significant based on the following qualitative factors:

- change in the currency of the financial asset;
- changing the type of collateral or other means of improving the quality of the asset;
- a change in the terms of a financial asset resulting in non-compliance with the SPPI criterion (for example, the addition of a conversion condition).

If the modification is due to the financial difficulties of the counterparty/issuer, then the purpose of such a modification, as a rule, is to reimburse the maximum possible amount of the cost of the asset according to the original terms of the contract, and not to create (issue) a new asset on terms significantly different from the original ones.

If the NBK plans to modify a financial asset in a manner that would result in forgiveness of a portion of the contractual cash flows, it should consider whether a portion of the asset should be written off prior to the modification (see write-off policy below). This approach has an impact on the outcome of the measurement and results in the criteria for derecognition of the relevant financial asset generally not being met in such cases. The NBK also makes a qualitative assessment of whether the modification of terms is significant.

If a modification to the terms of a financial asset measured at amortised cost or fair value through other comprehensive income does not result in the financial asset being derecognised, the NBK recalculates the gross carrying amount of the asset using the asset's original effective interest rate and recognises the difference as gain or loss on modification in profit or loss. For floating rate financial assets, the original effective interest rate used in calculating the modification gain or loss is adjusted to reflect current market conditions at the time the modification is made.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued*****(iii) Modification of terms of financial assets and financial liabilities, continued*****Financial assets, continued**

Costs incurred or fees paid and fees received arising as part of such modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining life of the modified financial asset.

If such a modification is due to financial difficulties of the counterparty/issuer, the corresponding gain or loss is presented as an impairment loss. Otherwise, the related gain or loss is presented as interest income calculated using the effective interest method (see Note 2(e)).

Financial liabilities

The NBK derecognises a financial liability when its terms are modified in such a way that the amount of cash flows on the modified liability changes significantly. In this case, the new financial liability with modified terms is recognised at fair value.

The difference between the carrying amount of the previous financial liability and the amount of the new financial liability with modified terms is recognised in profit or loss. The consideration paid includes non-financial assets transferred, if any, and liabilities assumed, including a new modified financial liability.

The NBK conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analysing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors.

The NBK concludes that the modification of the terms is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- adding a conversion condition.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iii) *Modification of terms of financial assets and financial liabilities, continued*****Financial liabilities, continued**

For measurement purposes, terms are considered to be significantly different if the present value of the cash flows under the new terms, including commission payments less fees received, discounted at the original effective interest rate, differs by at least 10% from the discounted present value. the remaining cash flows on the original financial liability.

If a modification to the terms of a financial liability does not cause it to be derecognised, the amortised cost of the liability is restated by discounting the modified cash flows at the original effective interest rate and the resulting difference is recognised as a gain or loss on the modification in profit or loss. For variable rate financial obligations, the original effective interest rate used in calculating the gain or loss on the modification is adjusted to reflect current market conditions at the time the modification is made.

Costs incurred or fees paid as part of the modification are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining life of the modified financial liability by restating the instrument's effective interest rate.

(iv) *Impairment*

See also Note 3.

The NBK recognises an allowance for expected credit losses for the following financial instruments not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- issued financial guarantee agreements.

No impairment loss is recognised for investments in equity instruments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) *Impairment, continued***

The NBK estimates provisions for losses in an amount equal to lifetime ECL, except for the following instruments, for which the amount of the provision recognised will be equal to 12-month expected credit losses:

- debt investment securities that have low credit risk as of the reporting date; and
- other financial instruments for which the credit risk has not increased significantly since their initial recognition (see Note 3).

The NBK considers a debt investment security to have low credit risk if its credit rating meets the internationally accepted definition of an “investment quality” rating.

12-month expected credit losses are the portion of expected credit losses due to events of default on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which 12-month expected credit losses are recognised are classified as Stage 1 financial instruments.

Lifetime expected credit losses (“lifetime ECL”) are defined as the ECL resulting from all possible events of default for a financial instrument over its entire expected life.

Financial instruments for which lifetime ECL are recognised are classified as Stage 2 financial instruments (if the credit risk of the financial instrument has increased significantly since its initial recognition, but the financial instrument is not credit-impaired) and Stage 3 financial instruments (if the financial instrument is credit-impaired).

Estimation of expected credit losses

Expected credit losses are an estimate of credit losses weighted by the likelihood of a default occurring. They are rated as follows:

- in relation to financial assets that are not credit-impaired as of the reporting date: as the present value of all expected cash shortfalls (that is, the difference between the cash flows due to the NBK in accordance with the agreement and the cash flows that the NBK expects to receive);

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) Impairment, continued*****Estimation of expected credit losses, continued***

- for financial assets that are credit-impaired as of the reporting date: as the difference between the gross carrying amount of the assets and the present value of estimated future cash flows; and

- for financial guarantee contracts: as the present value of expected payments to the contract holder to compensate for the credit loss it has incurred, less the amounts that the NBK expects to recover.

See also Note 3.

Restructured financial assets

When the terms of a financial asset are renegotiated by agreement, or the terms of a financial asset are modified, or an existing financial asset is replaced by a new one due to financial difficulties of the counterparty/issuer, the financial asset is assessed to determine whether the financial asset should be derecognised and expected credit losses are assessed as follows:

- if the expected restructuring does not result in the derecognition of the existing asset, then the expected cash flows on the modified financial asset are included in the calculation of the cash shortfall on the existing asset (see Note 3);

- if the expected restructuring will result in the derecognition of an existing asset, then the expected fair value of the new asset is treated as the terminal cash flow of the existing asset at the time it is derecognised. This amount is included in the calculation of the cash shortfall on the existing financial asset, which is discounted over the period from the expected derecognition date to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the NBK assesses financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income to assess whether they are credit-impaired. A financial asset is “credit-impaired” when one or more events occur that have an adverse effect on the estimated future cash flows of that financial asset.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) *Impairment, continued******Credit-impaired financial assets, continued***

Evidence of credit impairment of a financial asset includes, in particular, the following observable data:

- significant financial difficulties of the counterparty or issuer;
- violation of the terms of the contract, such as default or late payment;
- restructuring by the NBK of a loan or advance payment on terms that the NBK would not otherwise consider;
- the possibility of bankruptcy or other financial reorganisation of the counterparty; or
- the disappearance of an active market for the security as a result of financial difficulties.

A loan whose terms have been renegotiated due to a deterioration in the borrower's financial condition is generally considered to be credit-impaired unless there is evidence that the risk of non-collection of contractual cash flows has decreased significantly and there are no other indicators of impairment. In addition, loans that are past due by 90 days or more are considered credit-impaired.

When assessing for credit impairment an investment in government bonds (other financial assets) for which the state is the debtor, the NBK considers the following factors:

- market assessment of creditworthiness, reflected in bond yields;
- creditworthiness assessments performed by rating agencies;
- the country's ability to access capital markets to issue new debt;
- the likelihood of debt restructuring, leading to holders incurring losses as a result of voluntary or forced debt forgiveness;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) *Impairment, continued******Credit-impaired financial assets, continued***

- the presence of mechanisms for providing international support that allow such a country to provide the necessary support as a “creditor of last resort”, as well as the intention of government bodies and departments expressed in public statements to use these mechanisms. This includes assessing whether the mechanisms are effective and whether they are able to meet the required criteria, regardless of political intent.

Presentation of the allowance for expected credit losses in the consolidated statement of financial position

The amounts of the allowance for expected credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: as a reduction from the gross carrying amount of those assets;

- debt instruments measured at fair value through other comprehensive income: a loss allowance is not recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the loss allowance is disclosed and recognised as part of the fair value reserve.

Write-offs

Loans and debt securities are subject to write-off (partially or in full) when there is no reasonable expectation of recovery of all or part of the financial asset. Typically, this is the case where the NBK determines that the counterparty does not have assets or sources of income that can generate sufficient cash flows to repay the debt amounts to be written off. This assessment is performed for each asset separately.

Recoveries of amounts previously written off are reflected in the consolidated statement of profit or loss in Other operating income.

With respect to written-off financial assets, the NBK may continue to carry out debt collection activities in accordance with the policy for the recovery of amounts due.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) Impairment, continued*****Financial guarantee contracts that are not an integral part of the financial asset***

An agreement for a second-tier bank to join the mandatory deposit guarantee system is recognised as a financial guarantee agreement in accordance with IFRS 9 “Financial Instruments”, and also falls within the scope of IAS 32 “Financial Instruments: Presentation of Information”.

A financial guarantee contract is a contract under which the issuer is obligated to make specified payments to a counterparty specified in the debtor's contract to reimburse the debtor for a loss incurred by the debtor because the debtor fails to make payments when due under the original or revised terms of the debt instrument. Thus, the contingent obligation to pay the amount of guarantee compensation to the depositors of the participating bank as a result of its default is a financial guarantee agreement.

After initial recognition, the financial guarantee contract is subsequently measured at the higher of:

- 1) the amount of the loss allowance; and,
- 2) the amount initially recognised less, when appropriate, the total amount of revenue recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

Payments of guarantee compensation are made exclusively upon the occurrence of a default of the participating bank in accordance with the terms of the adhesion agreement under which the guarantee is provided.

Expected credit losses are recognised in the consolidated statement of financial position in the appropriate liability accounts. Any adjustments thereafter are recognised in profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(iv) Impairment, continued*****Financial guarantee contracts that are not an integral part of the financial asset, continued***

In the event of a default of a participating bank, the amount of accrued reserves to cover financial guarantees for the liquidated bank, if sufficient, is reclassified to the account of obligations to pay guarantee compensation. In case of insufficiency, it is additionally credited to the reserve account to cover the financial guarantee, then reclassified to the liability account for payment of guarantee compensation.

(v) Repos and reverse repos

Securities sold under agreements to sell with an obligation to repurchase (hereinafter referred to as “repos”) are recorded as financing transactions secured by the pledge of securities, and the securities continue to be recognised in the consolidated statement of financial position, and obligations to counterparties are reflected as repurchase agreements as a separate line item in the consolidated statement of financial position. The difference between the sale price and the repurchase price represents interest expense and is recognised in profit or loss over the period of the repurchase agreement using the effective interest method.

Securities purchased under agreements to resell (“reverse repos”) are recorded as reverse repos on a separate line item in the consolidated statement of financial position. The difference between the purchase price and the resale price represents interest income and is recognised in profit or loss over the period of the reverse repurchase agreement using the effective interest method.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(f) Financial instruments, continued****(vi) Derivatives**

Derivatives include swaps, forwards and futures and options on interest rates, foreign currencies, precious metals and securities, and any combination of the foregoing.

Derivative instruments are initially recognised at fair value on the trade date and are subsequently remeasured at fair value. All derivative instruments are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivative instruments are recognised immediately in profit or loss, except for changes in the fair value of derivative instruments whose underlying assets are foreign currencies, which are recognised in other comprehensive income.

Gains from revaluation of derivative instruments whose underlying assets are foreign currencies are recognised directly in other comprehensive income. Losses on revaluation of these derivative instruments are recognised in profit or loss to the extent they exceed prior periods' net unrealized gains, otherwise they are reduced directly to other comprehensive income in equity. Revaluations of derivative instruments whose underlying assets are foreign currencies are not recognised in profit or loss.

Despite the fact that the NBK carries out trading transactions with derivative instruments for the purpose of hedging risks, these transactions do not meet the criteria for applying the rules for accounting for hedge transactions.

(vii) Offsetting of assets and liabilities

Financial assets and liabilities of the NBK are offset and shown on a net basis in the consolidated statement of financial position if there is a legal basis for this and the intention of the parties to settle the debt by offsetting or to realise the asset and satisfy the liability simultaneously.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(g) Loans and deposits with banks and other financial institutions**

The item “Loans and deposits with banks and other financial institutions” of the consolidated statement of financial position includes:

- loans issued to banks, accounts and deposits with banks measured at amortised cost (see Note 2(f)(i)); they are initially measured at fair value plus additional direct transaction costs and subsequently at their amortised cost using the effective interest method;

- loans to banks that are required to be measured at fair value through profit or loss because they do not meet the SPPI criterion (see Note 2(f)(i)) are measured at fair value, changes in which are recognised immediately in profit or loss.

(h) Investment securities

Investment securities presented in the articles “Financial instruments at fair value through profit or loss”, “Investment securities at fair value through other comprehensive income”, “Investment securities at amortised cost” in the consolidated statement of financial position represent:

- debt investment securities measured at amortised cost (see Note 2(f)(i)); they are initially measured at fair value plus additional direct transaction costs and subsequently at their amortised cost using the effective interest method;

- debt and equity investment securities that are mandatorily measured at fair value through profit or loss or classified at the discretion of the NBK into this category (see Notes 2(f)(i) and (g)(v)); they are measured at fair value, changes in which are recognised immediately in profit or loss;

- debt securities measured at fair value through other comprehensive income (see Note 2(f)(i)); and

- equity investment securities classified at the discretion of the NBK into the category measured at fair value through other comprehensive income (see Note 2(f)(i)).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(i) Deposits from banks and other financial institutions, debt securities issued**

Deposits from banks and other financial institutions, debt securities issued are initially measured at fair value less related transaction costs and subsequently at their amortised cost using the effective interest method.

Issued debt securities are recognised in accounting records on the transaction date.

(j) Special guarantee reserve

In accordance with the Law of the Republic of Kazakhstan “On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan” as amended as of November 24, 2015, the subsidiary organisation of the NBK, the “KDIF” JSC is obliged to reimburse depositors of participating banks amounts up to a certain level in the event of forced liquidation of a participating bank. The NBK creates a special guarantee reserve for the purpose of accumulating contributions from banks participating in the deposit guarantee plan. In the event this is insufficient KDIF will call upon the banks to make additional contributions.

(k) Assets under management

The NBK provides asset management and custodial services whereby it holds assets on behalf of third parties. These assets and income on them are not included in the consolidated financial statements, since these assets do not belong to the NBK. Commissions received from this type of activity are presented as commission income in profit or loss.

(l) Contingent liabilities

In the course of its current business activities, the NBK assumes credit contingencies, including letters of credit and guarantees.

Financial guarantees are contracts that obligate the NBK to make specified payments to compensate the holder of the financial guarantee for losses incurred as a result of a specified debtor's failure to make payment when due under the terms of the debt instrument.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(m) Taxation**

In accordance with the legislation of the Republic of Kazakhstan, the NBK is exempt from paying income tax and value added tax.

The NBK's subsidiaries and associated organisations are payers of all types of taxes.

The amount of income tax includes the amount of current tax and the amount of deferred tax. Income taxes are recognised in full in profit or loss except for amounts attributable to transactions recognised in other comprehensive income or transactions with owners recognised directly in equity, which are respectively recognised in other comprehensive income or directly as part of equity capital.

Current income tax is calculated based on the estimated amount of taxable profit for the year, taking into account the income tax rates in effect as of the reporting date, as well as the amount of liabilities arising as a result of adjusting the income tax amounts for previous reporting years.

Deferred tax assets and deferred tax liabilities are recorded for temporary differences between the carrying amounts of assets and liabilities for the purposes of their recognition in the consolidated financial statements and their tax bases. Deferred tax assets and deferred tax liabilities are not recognised for the following temporary differences: differences related to the recognition of goodwill in the consolidated financial statements that do not reduce the taxable base, differences related to assets and liabilities, the fact of initial recognition of which does not affect either the accounting or on taxable income; as well as temporary differences associated with investments in subsidiaries, in the case where the parent company has the ability to control the timing of the realisation of these differences and there is confidence that these temporary differences will not be realised in the foreseeable future.

The calculation of deferred tax assets and deferred tax liabilities reflects the tax consequences that depend on the manner in which the NBK plans to recover or settle the carrying amounts of assets and liabilities at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are determined based on the tax rates that will apply in the future when the temporary differences reverse, based on laws enacted or substantively enacted at the reporting date.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**(m) Taxation, continued**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to offset the temporary differences. Deferred tax assets are reduced to the extent that it is no longer probable that taxable profits will be available against which the deductible temporary differences can be utilised.

(n) Provisions

Provisions recorded in the consolidated statement of financial position in the provision account when the NBK has a legal or constructive obligation as a result of an event and it is probable that funds will be required to be diverted to satisfy that obligation. When recognising a provisions, the amount of the provision is included in other operating expenses.

A provision is an obligation with an undefined period of fulfillment or an obligation of uncertain magnitude.

(o) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to estimates are recognised in the accounting period in which the estimates are revised and in any subsequent periods that are affected.

The judgments and estimates used in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are disclosed below:

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**Classification of financial assets: assessing the business model within which financial assets are held****Assessment of business models**

The assessment of business models is carried out for part of gold and foreign exchange assets (hereinafter – “GFA”), which are financial assets, and for assets in national currency (domestic portfolio). The business model used to manage the NBK's financial assets is determined based on the characteristics of the relevant portfolios and sub-portfolios of assets.

The strategic goals and restrictions associated with the management of the financial assets are determined by the Investment Strategy for the management of the financial assets of the NBK, according to which the financial assets consist of a liquidity portfolio, an investment portfolio, a strategic portfolio, a portfolio of emerging markets and a portfolio of alternative instruments.

Each of these portfolios has its own objectives, which determine how performance is measured, the return on financial assets, the risks that affect performance, and how managers are rewarded.

The internal portfolio consists of the assets of the NBK in national currency, transactions with which are carried out within the framework of decisions of the governing bodies of the NBK and (or) as part of the execution of the terms of agreements with various financial organisations, including international financial organisations.

The objectives of the GFA and internal portfolios are set out in the table below.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED

Classification of financial assets: assessing the business model within which financial assets are held, continued

Assessment of business models, continued

Portfolio	Goal
GFA portfolio	
Liquidity portfolio	Conducting operations in order to implement monetary policy, maintain a high level of liquidity and safety, meet short-term demand for currency and service external government debt. Obtaining excess returns is not the goal of managing liquidity portfolio assets.
Investment portfolio	Preservation and increase in return on assets in the short and medium term.
Strategic portfolio	Ensuring the return on assets in the medium and long term and diversifying financial assets.
Emerging markets portfolio	Conducting transactions with central banks of foreign countries for the purchase/sale (exchange) of their local currency and the Kazakhstani tenge in accordance with the terms of the relevant agreements.
Alternative instruments portfolio	Ensuring the return on assets in the long term and diversifying financial assets.
Internal portfolio	
Internal portfolio	Operations in national currency to implement monetary policy and conduct monetary operations. At the same time, obtaining profitability is not the goal of the NBK's internal portfolio.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**Classification of financial assets: assessing the business model within which financial assets are held, continued****Assessment of business models, continued**

The Group's portfolio also includes portfolios of subsidiaries - a portfolio of securities (bonds) of "KSF" JSC, a portfolio of deposits 1 and 2 of "KSF" JSC, rights of claim of "KSF" JSC, subordinated bonds of "KSF" JSC, a portfolio of securities (bonds) of "KDIF" JSC.

Considering the strategic objectives of the liquidity portfolio, investment portfolio, alternatives portfolio (excluding investments in private equity funds, real estate funds, hedge funds and other funds) and the internal portfolio, as well as the likelihood of frequent and large sales, for these portfolios (sub-portfolios) a business model is applied, the goal of which is achieved by receiving contractual cash flows and selling financial assets.

Given the strategic objectives of the emerging markets portfolio and the low frequency and volume of sales for this portfolio, this portfolio uses a business model whose objective is to hold assets to collect contractual cash flows.

Considering that for the securities portfolio (bonds), the deposit portfolio 1 of "KSF" JSC, the rights of claim on loans, the main task is the targeted placement of money within the framework of the implementation of government programs, the absence of additional remuneration for achieving profitability/excess profitability, as well as low expectations of future sales, these portfolios employ a business model whose goal is to hold assets to receive contractual cash flows.

Financial assets of the deposit portfolio 2 and the subordinated bond portfolio of "KSF" JSC are assessed at fair value through profit or loss. Such investments do not qualify for SPPI (solely payment of principal and interest).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**Classification of financial assets: assessing the business model within which financial assets are held, continued****Assessment of business models, continued**

In connection with significant sales of securities of “KDIF” JSC in 2022, the Group decided to change the business model for the entire portfolio of “KDIF” JSC securities, from “retention of assets to receive contractual cash flows” to “retention of assets to receive contractual agreement on cash flows and sale of financial assets.” Accordingly, in the Group's consolidated financial statements level, on 1 January 2023, this portfolio was reclassified from a portfolio measured at amortised cost to a portfolio measured at fair value through other comprehensive income (Note 17). The carrying amount of reclassified assets as of 31 December 2023 is KZT 1,212,700,341 thousand.

Additional remuneration for achieving profitability/excess profitability on the above portfolios is either absent or is not a significant factor.

Also within the above portfolios, the Group has cash and cash equivalents, loans and deposits from banks and other financial institutions, reverse repurchase agreements and other financial assets, which the Group attributes to a business model whose purpose is to hold assets to receive contractual amounts of cash flows, unless otherwise stated above.

Determining the fair value of alternative instruments

Investments in private equity funds and real estate funds generally relate to instruments that cannot be valued based on observable data. The Group's estimate of the fair value of a portfolio of alternative instruments is not made independently but is provided by the managers of these funds at the reporting date and is based on their estimate of the fair value of the net assets of the underlying investments. In turn, fund managers use various methods to evaluate these investments. The methodology may include, but is not limited to, discounted cash flows, multiple analysis, comparable asset analysis, third party valuation, third party pricing, application of spreads to swaps or other applicable indices, etc. Specific characteristics of each investment, including, but not limited to, credit ratings, number of remaining years to maturity, credit margins, swap rates, seniority in the credit structure, etc. are the inputs used in these methodologies.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**Segment reporting**

The Group's activities constitute one operating segment for the purposes of IFRS 8 Operating Segments. An operating segment is a component of the Group that is engaged in business activities from which the Group generates revenues or incurs expenses (including revenues and expenses in respect of transactions with other components of the Group), the results of which are regularly reviewed by the chief operating decision maker when making distributions resources between segments and in assessing their financial performance and for which financial information is available.

Changes in presentation of financial statements

From 2023, for the purpose of providing quality information, in the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss for the year then ended, and the consolidated statement of cash flows for the year then ended as of the date indicated, some articles were divided or combined. Where necessary, comparative figures have been adjusted to be consistent with the presentation of current year results. The Group has also presented below the effect of the change in presentation on the consolidated statement of financial position as at 1 January 2022.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED

Changes in presentation of financial statements, continued

The effect of changes in the presentation of financial statements on the relevant line items is presented in the tables below:

KZT'000	Previously presented	Impact of change in presentation	Restated
Consolidated statement of financial position as at 1 January 2022			
Assets			
Cash and cash equivalents	112,430,324	1,451,364,155	1,563,794,479
Loans and deposits from banks and other financial institutions	3,195,568,022	(902,201,803)	2,293,366,219
Reverse repo transactions	549,162,352	(549,162,352)	-
Property, plant and equipment and intangible assets	80,626,994	(80,626,994)	-
Property, plant and equipment	-	72,916,158	72,916,158
Intangible assets	-	7,710,836	7,710,836
Total assets	20,842,299,357	-	20,842,299,357

KZT'000	Previously presented	Impact of change in presentation	Restated
Consolidated statement of financial position as at 31 December 2022			
Assets			
Cash and cash equivalents	129,948,570	2,350,772,444	2,480,721,014
Loans and deposits from banks and other financial institutions	4,242,201,137	(2,077,438,661)	2,164,762,476
Reverse repo transactions	273,333,783	(273,333,783)	-
Property, plant and equipment and intangible assets	87,457,720	(87,457,720)	-
Property, plant and equipment	-	77,886,265	77,886,265
Intangible assets	-	9,571,455	9,571,455
Total assets	22,823,711,010	-	22,823,711,010

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED

Changes in presentation of financial statements, continued

KZT'000	Previously presented	Impact of change in presentation	Restated
Consolidated Statement of Profit or Loss for the year ended 31 December 2022			
Other operating (expenses)/income, net	(145,625,495)	145,625,495	-
Other operating income	-	66,407,777	66,407,777
Other operating expenses	-	(212,033,272)	(212,033,272)
Loss for the year	(535,418,932)	-	(535,418,932)

KZT'000	Previously presented	Impact of change in presentation	Restated
Consolidated Statement of Cash Flows for the year ended 31 December 2022			
<i>Adjustments:</i>			
Depreciation and amortisation	10,897,763	(3,934,411)	6,963,352
Interest expense	328,701,949	314,516,322	643,218,271
Amortisation of premium and discount on financial assets	(8,807,769)	8,807,769	-
Interest income calculated using the effective interest method	-	(453,488,189)	(453,488,189)
Net gain from transactions in financial instruments measured at fair value through profit or loss	85,468,391	(142,544,155)	(57,075,764)
(Increase)/decrease in operating assets			
Gold	1,430,001,433	294,361	1,430,295,794
Loans and deposits from banks and other financial institutions	134,906,891	(11,223,833)	123,683,058
Financial instruments measured at fair value through profit or loss	(120,484,059)	121,218,240	734,181
Investment securities measured at fair value through other comprehensive income	(1,537,827,136)	57,429,270	(1,480,397,866)
Other assets	(252,020,683)	4,297,025	(247,723,658)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED

Changes in presentation of financial statements, continued

KZT'000	Previously presented	Impact of change in presentation	Restated
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions	626,541,864	(6,550,432)	619,991,432
Repurchase agreements	(144,038,910)	30,749	(144,008,161)
Interest received	-	375,255,409	375,255,409
Interest paid, excluding interest on issued debt securities	-	(285,350,425)	(285,350,425)
Dividends received	-	21,242,300	21,242,300
Cash and cash equivalents (before loss allowance) at the end of the year	2,481,233,202	-	2,481,233,202

Transition to new or revised standards and clarifications

A number of new standards and amendments to standards became effective for annual periods beginning after 1 January 2023, with earlier adoption possible. However, the NBK did not implement early adoption of new and amended standards in the preparation of these consolidated financial statements.

The following revised standards became effective from 1 January 2023:

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023 dates);
- Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2022 and effective for annual periods beginning on or after 1 January 2023);
- Transition option for insurers in applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

If IFRS 17 Insurance Contracts had been applicable, it would not have had a material impact on these consolidated financial statements;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

2. MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES, CONTINUED**Transition to new or revised standards and clarifications, continued**

- Amendments to IAS 1 and IFRS Practice Guide 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);

- Amendment to IAS 8 Determining Accounting Estimates (issued on 12 February 2023 and effective for annual periods beginning on or after 1 January 2023);

- Deferred taxes relating to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);

- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income Taxes (issued 23 May 2023).

Unless otherwise stated above, the adoption of the above amendments did not have a material impact on the Group's consolidated financial statements.

New accounting provisions

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2024 and which the Group has not yet early adopted:

- Amendments to IFRS 16 Leases: Lease Liabilities on Sale and Repurchase Lease (issued on September 22, 2022 and effective for annual periods beginning on or after 1 January 2024);

- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024 dates);

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements (issued 25 May 2023);

- Amendments to IAS 21 No Fungibility (issued 15 August 2023).

Unless otherwise stated above, the new standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS

This note provides information about the Group's exposure to financial risks. Information on the Group's financial risk management policies is presented in Note 30.

**Credit risk – the amount of expected credit losses
Inputs, assumptions and methods used to assess impairment*****Significant increase in credit risk***

In assessing whether there has been a significant increase in the credit risk of a financial instrument since its initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The assessment includes both quantitative and qualitative information, as well as analysis based on the Group's historical experience, expert assessment of credit quality and forward-looking information.

The purpose of the assessment is to identify whether there has been a significant increase in credit risk in relation to the exposure to credit risk by comparing:

- the probability of default for the remainder of the life as at the reporting date; and
- the probability of default for the remainder of the entire term, calculated with respect to a given point in time, determined at the initial recognition of the position exposed to credit risk.

Assessing whether there has been a significant increase in credit risk since initial recognition of a financial instrument requires determining the date of initial recognition of the instrument.

The Group uses two main criteria to determine whether there has been a significant increase in credit risk:

- quantitative criteria;
- qualitative signs.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS, CONTINUED**Credit risk – the amount of expected credit losses, continued****Gradation levels (ratings) of credit risk**

The Group allocates each exposure to credit risk among credit risk levels based on various inputs that are determined to predict default risk and by applying expert credit judgment. The Group will use these credit risk levels to identify significant increases in credit risk in accordance with IFRS 9. Credit risk levels are determined using qualitative and quantitative factors that indicate the risk of default. These factors may vary depending on the nature of the position exposed to credit risk and the type of counterparty.

Credit risk ratings are determined and calibrated such that the risk of default increases exponentially as credit risk worsens—for example, the difference between credit risk ratings 1 and 2 is less than the difference between credit risk ratings 2 and 3.

Each position exposed to credit risk is assigned a certain level of credit risk at the date of initial recognition based on available information and the assigned external rating from international rating agencies. Positions exposed to credit risk are subject to ongoing monitoring, which may result in the assignment of a rating to the position that is different from the credit risk rating at initial recognition. Monitoring usually involves the analysis of the following data:

- data from credit rating agencies, publications in the press, information on changes in external credit ratings;
- information obtained as a result of the analysis on a periodic basis of information about counterparties - for example, audited financial statements, management reporting, budgets, forecasts and plans;
- information on payments, including information on the status of overdue debts;
- quotes of bonds and credit default swaps of issuers, if this information is available;
- current and projected changes in financial, economic conditions and business conditions;
- actual and expected significant changes in the political, regulatory and technological environment of the counterparty's activities or its business activities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS, CONTINUED**Credit risk – the amount of expected credit losses, continued****Creating a term structure of the probability of default**

Credit risk ratings are the main inputs in creating a term structure of probability of default for positions exposed to credit risk. The Group collects information on debt service quality and default rates for positions exposed to credit risk, analyzed by region, counterparty type, and credit risk rating. The Group primarily uses information obtained from external credit rating agencies.

Determining whether there has been a significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The assessment of whether there is a significant increase in credit risk depends on the characteristics of the financial instrument, the type of borrower and the geographic region.

Significant increase in credit risk - a change in the credit rating of a financial asset by two notches in relation to the level of the credit rating on the date of initial recognition of the financial asset and (or) identification of facts of violation of the terms of the agreement and (or) the presence of overdue payments, the deadline for fulfilling obligations to the Group is from thirty to eighty-nine calendar days.

Definition of “default”

A financial asset is classified by the Group as financial assets for which an event of default has occurred in the following cases:

- it is unlikely that the credit obligations of the counterparty/issuer to the NBK will be repaid in full without the NBK taking such actions as selling collateral (if any);
- the counterparty's debt under any of the Group's significant credit obligations is overdue by more than 90 days.

When assessing the occurrence of an event of default on the obligations of the counterparty/issuer, the Group takes into account the following factors:

- qualitative – for example, violation of restrictive terms of the agreement (“covenants”);
- quantitative – for example, the status of overdue debt and non-payment of other obligations to the Group by the same issuer; as well as
- other information obtained from our own and external sources.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS, CONTINUED**Credit risk – the amount of expected credit losses, continued****Definition of “default”, continued**

The inputs in assessing the occurrence of an event of default on a financial instrument and their significance may change over time to reflect changes in circumstances.

Including forward-looking information

The Group includes forward-looking information both in its assessment of whether credit risk has increased significantly since initial recognition of a financial instrument and in its assessment of expected credit losses.

The Group determines a list of the main factors influencing the assessment of credit risk and credit losses, using macroeconomic analysis for each country of the financial asset and the forecast of international rating agencies (Rating Outlook) when calculating the adjustment to the forecast PD value based on the current rating of the counterparty/issuer of securities.

Macroeconomic analysis is carried out based on data on forecasts for changes in unemployment, gross domestic income of the country, energy and non-energy indices, country stock index and changes in the share of financial assets with a reduced credit rating in the total portfolio of financial assets of the Group.

Macroeconomic analysis for each country of the financial asset is taken into account when transforming TTC (Through-the-Cycle PD) probability of default indicators into PIT (Point-in-Time PD) probability of default indicators. The probability of default PD is automatically determined using the Overlay PD modules from the S&P supplier in the context of credit ratings.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. FINANCIAL RISK ANALYSIS, CONTINUED

**Credit risk – the amount of expected credit losses, continued
Including forward-looking information, continued**

Country/Indicator	Source	2024	2025	2026	2027	2028
Kazakhstan						
GDP growth	IMF	4,40%	4,50%	3,40%	2,70%	2,70%
	Standard and Poor's	4,10%	3,60%	3,80%	3,80%	3,80%
	World Bank	4,00%	3,50%	3,50%	3,50%	3,50%
Rise in unemployment	IMF	-2,04%	-	-	-	-
	Standard and Poor's	-	-	-	-	-
Other countries						
		from - 2,30%	from 0,60%	from 0,80%	from 0,50%	from 0,40%
		to 6,20%	to 6,80%	to 6,80%	to 6,50%	to 6,50%
GDP growth	IMF	6,20%	6,80%	6,80%	6,50%	6,50%
	Standard and Poor's	from - 2,00%	from 1,00%	from 0,28%	from 0,28%	from 0,28%
		to 6,00%	to 6,90%	to 6,90%	to 6,90%	to 6,90%
	World Bank	from - 2,00%	from 1,60%	from 1,60%	from 1,60%	from 1,60%
		to 7,10%	to 6,50%	to 6,50%	to 6,50%	to 6,50%
Rise in unemployment	IMF	from - -11,11%	from - 9,30%	from - 14,00%	from -11,29%	from - 12,73%
		to 26,32%	to 17,39%	to 7,14%	to 4,76%	to 4,55%
	Standard and Poor's	from - 20,35%	from -12,35%	from - 16,89%		
		to 33,33%	to 11,54%	to 9,88%	-	-
Indicators used for all countries						
		2024	2025	2026	2027	2028
Change in energy index	World Bank	56,39%	-12,72%	-13,71%	-13,71%	-13,71%
Change in non-energy index	World Bank	8,63%	-9,65%	-2,36%	-2,36%	-2,36%

A dash “-” in the table above means no data.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS, CONTINUED**Credit risk – the amount of expected credit losses, continued****Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changes in market conditions and other factors not caused by a current or potential deterioration in the creditworthiness of the counterparty. An existing loan whose terms have been modified may be derecognised and a new loan with modified terms may be recognised at fair value in accordance with accounting policies.

If the terms of a financial asset change and the modification of terms does not result in the financial asset being derecognised, determining whether there has been a significant increase in the credit risk of the financial asset is made by comparing:

- the probability of default for the remainder of the life at the reporting date based on the modified terms of the contract; and
- the probability of default for the remainder of the entire life, calculated in relation to that point in time at initial recognition of the financial asset based on the original terms of the contract.

When a modification to the terms of a loan results in it being derecognised, the newly recognised loan is classified as Stage 1 (provided it is not credit-impaired at the date of recognition).

Estimation of expected credit losses

The main input data when assessing expected credit losses is the term structure of the following variables:

- probability of default (PD);
- loss in case of default (LGD); and
- amount at risk in case of default (EAD).

Probability of Default (PD) estimates are date-specific estimates that are calculated based on information from Standard and Poor's rating agency and the issuer/counterparty's economic sector and a credit rating model purchased from Standard and Poor's Global Market Intelligence LLC. If a counterparty or credit risk position migrates between rating levels, this will result in a change in the assessment of the associated probability of default.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK ANALYSIS, CONTINUED**Estimation of expected credit losses, continued**

Loss Given Default (LGD) is the amount of probable loss in the event of default. The Group will estimate LGD's performance based on information from Bloomberg and the expected loss given default assignment model acquired from Standard and Poor's Global Market Intelligence LLC.

For the purposes of calculating provisions for expected credit losses on financial assets, a conservative rating assessment by the Standard and Poor's rating agency is used. Expected credit losses for financial assets are determined based on forward-looking expected credit loss models.

Exposure to default (EAD) is the positive carrying amount of claims that are outstanding at the default date.

This indicator will be calculated by the NBK based on the current EAD value and its possible changes allowed under the agreement. For a financial asset, the EAD will be the gross carrying amount in the event of default.

PD indicators for financial assets in the first stage are calculated for 12 months.

In order to assess the PD and LGD indicators for financial assets assigned to the second stage, the PD value for the entire life of the financial asset is used.

PD indicators for financial assets in the third stage are equal to 100%.

Credit quality analysis

Notes 15, 17, 18 and 19 provide information about the credit quality of loans and deposits from banks and other financial institutions, investment securities measured at fair value through other comprehensive income, investment securities measured at amortised cost and claims on repurchased loans as of 31 December 2023 and 31 December 2022. Unless otherwise stated, for financial assets, amounts in the notes reflect gross carrying amounts.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. NET INTEREST EXPENSE

	2023	2022
	KZT'000	KZT'000
Interest income calculated using the effective rate method		
Interest income on financial assets measured at amortised cost:		
- Loans and deposits with banks and other financial institutions	253,453,020	189,359,839
- Investment securities measured at amortised cost	111,606,917	121,270,175
- Requirements for repurchased loans	49,005,031	44,311,640
- Reverse repo transactions	6,749,405	16,112,039
Interest income on financial assets carried at fair value through other comprehensive income		
- Investment securities measured at fair value through other comprehensive income	208,186,318	82,434,495
Total interest income calculated using the effective rate method	629,000,691	453,488,188
Interest expenses		
Interest expense on financial liabilities carried at amortised cost:		
- Debt securities issued	(578,927,316)	(329,107,821)
- Deposits and balances of banks and other financial institutions	(474,706,543)	(294,818,060)
- Repurchase agreements	(22,985,350)	(15,746,424)
- Deposit accounts of the Ministry of Finance of the Republic of Kazakhstan	(5,685,614)	(3,545,966)
Total interest expense on financial liabilities carried at amortised cost	(1,082,304,823)	(643,218,271)
	(453,304,132)	(189,730,083)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. NET INCOME FROM TRANSACTIONS IN FINANCIAL INSTRUMENTS ASSESSED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	KZT'000	KZT'000
Loans and deposits with banks and other financial institutions measured at fair value through profit or loss - change in fair value	40,446,684	(49,453,214)
Loans and deposits with banks and other financial institutions measured at fair value through profit or loss - other interest income	39,595,280	38,003,394
Assets under external management	75,431,992	(23,578,609)
Other derivative financial instruments	5,441,685	92,104,193
	160,915,641	57,075,764

Gain on changes in subordinated bonds measured at fair value equals KZT 29,933,204 thousand and profit on deposits with banks measured at fair value equals KZT 10,513,480 thousand (Note 15) (2022: loss of KZT 59,197,088 thousand and profit 9,743,874 thousand tenge, respectively).

Other interest income consists of interest income on subordinated bonds measured at fair value and deposits with banks (Note 15) in the amount of KZT 36,872,081 thousand and KZT 2,723,199 thousand, respectively (2022: KZT 34,636,991 thousand and KZT 3,366,403 thousand, respectively).

6. INCOME/(EXPENSES) ON REHABILITATION OF THE BANKING SECTOR AND ECONOMY

During 2023, as part of the implementation of the “Economy of Simple Things” Program, KFU JSC purchased second-tier bank coupon bonds in the amount of 9,339,855 thousand tenge, with an interest rate of 17.5% per annum, with an obligation to repay after 9 years. The Group recorded these bonds at their fair value upon initial recognition, calculated using estimated market interest rates ranging from 14.69% to 14.72% per annum. The difference between the nominal value and the fair value at the date of initial recognition in the amount of 1,022,831 thousand tenge was recognized in 2023 as income for the rehabilitation of the banking sector and the economy in profit or loss.

In December 2022, the bonds of “FPL” LSC, acquired by “KSF” JSC in 2020 and 2021, were restructured and transferred to the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan free of charge. This restructuring led to the derecognition of these bonds, as a result of which KZT 163,404,124 thousand were recognised as expenses to improve the banking sector and the economy in profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

7. OTHER OPERATING INCOME

	2023	2022
	KZT'000	KZT'000
Partial withdrawal of the deposit under the Mortgage Loan Refinancing Program	54,150,331	-
Contributions from banks participating in the guarantee system	50,111,968	42,573,427
Compensation for deposits of individuals (Note 26)	14,641,014	-
Sales of printed products	8,212,185	5,493,289
Sales of medals, badges and jewelry	3,953,310	4,358,088
Sales of collectible coins and redemption of bullion bars	3,291,338	2,719,181
Reversal of provisions (Note 26)	1,597,045	3,196,108
Rental of fixed assets	6,991	4,747
Other income	15,393,485	8,062,937
	151,357,667	66,407,777

During 2023, a partial early repayment of the deposit with “Halyk Bank of Kazakhstan” JSC was carried out under the Financial Stability Improvement Program in the amount of KZT 68,405,014 thousand, as a result of which of KZT 54,150,331 thousand income from the early derecognition of a long-term asset issued with a discount taken into account at the time of initial recognition in the amount.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

7. OTHER OPERATING INCOME, CONTINUED

Since 1 January 2007, “KDIF” JSC introduced a system of differentiated rates, in which participating banks are classified into categories and assigned ratings depending on the assessed degree of risk and financial stability. Participating banks with low ratings transfer contributions in larger amounts, as they have a higher level of risk. Participating banks with a low risk level transfer contributions in a reduced amount. Risk assessment and rating assignment are carried out by “KDIF” JSC in accordance with Rules No. 18. Rules No. 18 were approved in a new edition, taking into account the new model for assessing the financial condition of participating banks and came into force on September 1, 2021 with a transition period of 1 year. The transition period ended in September 2022 and from this period participating banks pay contributions in accordance with the classification groups and contribution rates determined for them.

The new model for assessing the financial condition of participating banks includes the following main innovations:

- an expanded concept of problem loans: the maximum value between stage 3 loans according to IFRS 9 and lost interest income is used;
- cash flow analysis: to identify how much the bank “burns” its own capital/depositors’ money;
- checking capital adequacy using a stress test, i.e. recalculation of the capital adequacy indicator taking into account the adjustment of fixed capital by the amount of uncreated provisions for problem loans at the level of 50% coverage - an assessment of the real volume of risk accepted by the bank.

Income from mandatory calendar contributions is initially recognised by “KDIF” JSC in the amount of independently made quarterly estimates, the basis for the calculation of which is the amount of appropriate contributions of participating banks for the previous quarter.

Contributions of banks participating in the guarantee system, net in 2023, include income of “KDIF” JSC from contributions of participating banks, penalties and proceeds from the liquidation commission of a forcibly liquidated bank in the amount of KZT 50,111,968 thousand (2022: from contributions of participating banks, penalties and proceeds from the liquidation commission of a forcibly liquidated bank in the amount of KZT 42,573,427 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. OTHER OPERATING EXPENSES

	2023	2022
	KZT'000	KZT'000
Losses on initial recognition of deposits under the Mortgage Loan Refinancing Program	17,511,275	25,027,807
Cost of printed products sold	4,829,803	3,671,444
Costs of transaction with alternative assets (Note 27)	4,446,163	-
Cost of sold medals, badges and jewelry	4,245,389	4,026,398
Compensation for deposits of individuals (Note 26)	-	167,962,452
Other expenses	15,742,456	11,345,171
	46,775,086	212,033,272

As part of the Mortgage Loan Refinancing Program, targeted placement of deposits in second-tier banks is provided with interest rates of 0.10% and 2.99% per annum for up to 30 years.

In 2023, losses were recognised on new deposits for the difference between the nominal value and the fair value on the date of initial recognition of the deposits, calculated using market interest rates from 12.24% to 18.59% per annum, in the amount of KZT 16,702,774 thousand (2022: from 10.87% up to 15.00% per annum in the amount of KZT 14,871,685 thousand).

The total amount of KZT 17,511,275 thousand (2022: KZT 25,027,807 thousand) also includes the amount of reimbursement of expenses of second-tier banks for the amounts of state duties paid on claims filed in court for loans from borrowers, as well as other expenses associated with business activities in connection with the refinancing of problem foreign currency loans in the amount of KZT 808,501 thousand (2022: KZT 10,156,122 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. BANKNOTES AND COINS PRODUCTION EXPENSES

	2023	2022
	KZT'000	KZT'000
Banknotes production	9,757,994	11,635,257
Coins production	5,444,987	5,888,364
Other	229,147	217,745
	15,432,128	17,741,366

The costs of issuing banknotes and coins include security, transportation, insurance and other expenses. Expenses for the issue of banknotes and coins are recognised as they are credited to reserve funds and are shown as a separate line item in the consolidated statement of profit or loss.

10. PERSONNEL EXPENSES

	2023	2022
	KZT'000	KZT'000
Payroll	28,552,128	20,040,241
Bonuses	13,737,141	6,141,238
Social tax	3,074,807	1,611,273
Insurance	446,200	486,195
Training	380,457	278,533
Other	2,543,086	94,508
	48,733,819	28,651,988

During 2023, pension contributions were made in the amount of KZT 4,501,587 thousand (2022: KZT 2,849,895 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	KZT'000	KZT'000
Information and other services	4,573,813	7,215,825
Taxes other than income tax	2,521,877	2,024,085
Communication fees	2,490,925	2,245,918
Repair and maintenance of property and equipment	1,397,828	1,057,106
Security	1,194,417	729,413
Rent	962,869	421,097
Business trip expenses	773,428	526,389
Property and equipment and inventories	622,645	472,887
Representation expenses	603,772	376,013
Free transfer of property	538,715	1,149,971
Utilities	426,105	391,375
Fare	183,983	216,858
Fixed asset insurance	62,538	64,019
Advertising, announcements and presentations in mass media	60,395	40,409
Other	1,826,289	221,027
	18,239,599	17,152,392

12. INCOME TAX EXPENSE

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax. Subsidiaries and associate organisations of the NBK are subject to income tax.

	2023	2022
	KZT'000	KZT'000
Current income tax expense	(2,354,379)	(1,364,281)
Movement in deferred tax assets due to origination and reversal of temporary differences	(31,914,131)	(1,459,303)
Total income tax expense	(34,268,510)	(2,823,584)

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSE, CONTINUED

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

	2023		2022	
	KZT'000	%	KZT'000	%
Loss before income tax	(237,731,427)		(532,595,348)	
Income tax at the applicable tax rate	47,546,285	(20.00)	106,519,070	(20.00)
Effect of non-taxable operations of the NBK	(129,821,513)	54.61	(115,272,135)	21.64
Non-taxable income on securities	8,419,183	(3.54)	(19,109,790)	3.59
Non-taxable income from special reserve assets	32,245,014	(13.56)	24,733,121	(4.64)
Other non-taxable income	7,342,521	(3.09)	306,150	(0.06)
	(34,268,510)	14.41	(2,823,584)	0.53

Deferred tax assets and liabilities

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 and deferred tax liabilities as at 31 December 2023 and 31 December 2022. Future tax benefits can be obtained only if the NBK subsidiaries are able to make a taxable profit, from which it will be possible to offset the unused tax loss, and if there are no changes in the legislation of the Republic of Kazakhstan that adversely affect the ability of the NBK subsidiaries to use these benefits in future periods.

The carried forward tax losses do not expire under the current tax legislation of the Republic of Kazakhstan.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSE, CONTINUED

Deferred tax assets and liabilities, continued

Movements in temporary differences during the years 2023 and 2022 are presented as follows:

KZT'000	Balance at 1 January 2023	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2023
Placements and loans with banks and other financial institutions	344,980,474	(32,807,309)	-	312,173,165
Property, plant and equipment and intangible assets	(3,146,127)	111,898	(5,817)	(3,040,046)
Other assets	(136,127)	368,454	-	232,327
Other liabilities	482,388	65,327	(348)	547,367
Recognised deferred tax assets	342,180,608	(32,261,630)	(6,165)	309,912,813
Deferred tax assets	345,284,882	(32,675,070)	(450)	312,609,362
Deferred tax liabilities	(3,104,274)	413,440	(5,715)	(2,696,549)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSE, CONTINUED

Deferred tax assets and liabilities, continued

KZT'000	Balance at 1 January 2022	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2022
Placements and loans with banks and other financial institutions	345,985,952	(1,005,478)	-	344,980,474
Property, plant and equipment and intangible assets	(2,893,158)	(223,949)	(29,020)	(3,146,127)
Other assets	(119,145)	(18,463)	1,481	(136,127)
Other liabilities	407,652	56,150	18,586	482,388
Tax loss carry-forwards	267,563	(267,563)	-	-
Recognised deferred tax assets	343,648,864	(1,459,303)	(8,953)	342,180,608
Deferred tax assets	346,258,930	(1,016,395)	42,347	345,284,882
Deferred tax liabilities	(2,610,066)	(442,908)	(51,300)	(3,104,274)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX EXPENSE, CONTINUED

Deferred tax assets and liabilities, continued

As at 31 December 2023 deferred tax assets of KZT 312,173,165 thousand (31 December 2022: KZT 344,980,474 thousand) were recognised by the subsidiary of NBK, “KSF” JSC. Management of “KSF” JSC assessed the recoverability of deferred tax assets and concluded that “KSF” JSC would have sufficient taxable income after taking into account deductible temporary differences and it is appropriate to recognise deferred tax assets. The recovery of the deferred tax asset will take place upon the amortisation of the discount on these investments through an adjustment to interest income. The carrying amount of the deferred tax asset is subject to the reassessment at the end of each reporting period. “KSF” JSC will reduce the carrying amount of the deferred tax asset, if necessary. Therefore, at the reporting date, the deferred tax asset represents an adjustment to initial recognition and subsequent amortisation of that amount.

13. CASH AND CASH EQUIVALENTS

	2023	2022
	KZT'000	KZT'000
Nostro accounts in foreign banks	2,933,471,544	1,987,400,466
Cash on hand in foreign currency	137,853,027	129,948,570
Reverse repurchase agreements with original maturities of less than three months	504,299,189	273,333,783
Tenge denominated deposits with Kazakhstan banks with the original maturity of less than three months	16,074,452	-
Nostro accounts in Kazakhstan banks	2,308,855	1,087,155
Deposits in foreign banks with the original maturity of less than three months	-	779,329
Accounts with the Bank for International Settlements	3,687,500	88,683,899
Total cash and cash equivalents in the consolidated statement of cash flows	3,597,694,567	2,481,233,202
Total allowance for expected credit losses	(503,583)	(512,188)
Total cash and cash equivalents presented in the consolidated statement of cash flows, less the allowance for expected credit losses	3,597,190,984	2,480,721,014

Cash and cash equivalents include cash banknotes and coins, unrestricted balances (nostro accounts) with other banks, as well as highly liquid financial assets with original maturities of less than three months that are not subject to a significant risk of changes in fair value and are used by the NBK for settlement of short-term obligations.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. CASH AND CASH EQUIVALENTS, CONTINUED

In 2023, “reverse repo” transactions that did not have an assigned credit rating in the amount of KZT 504,299,189 thousand were concluded on the auto repo market of “KASE” JSC (31 December 2022: KZT 273,333,783 thousand).

As of 31 December 2023, financial assets accepted as collateral under reverse repurchase agreements were represented by debt securities of “KSF” JSC, bonds of the Ministry of Finance of the Republic of Kazakhstan and bonds of the Eurasian Development Bank.

As at 31 December 2023, the fair value of these financial assets is KZT 503,761,088 thousand (31 December 2022: KZT 273,067,981 thousand).

14. GOLD

	31 December 2023 KZT'000	31 December 2022 KZT'000
Gold bullion in NBK depository	3,515,964,915	7,329,833,253
Gold deposits with foreign banks:		
- with a credit rating of AA-	37,502,142	-
- with a credit rating of A- to A+	1,107,540,310	419,589,510
Total gold on deposits with foreign banks	1,145,042,452	419,589,510
Gold in accounts and vaults of foreign banks:		
- with a credit rating of AAA	845,293,993	756,028,740
- with a credit rating of A+	3,467,451,089	1,020,086,726
Total gold in accounts and vaults of foreign banks	4,312,745,082	1,776,115,466
	8,973,752,449	9,525,538,229

Gold consists of gold on deposit, as well as in unallocated accounts in foreign banks and gold bullion in vaults. Gold is accounted for in the consolidated financial statements at its market value at the reporting date. The market value is established based on the morning fixing established by the London Bullion Market Association. Losses on revaluation of gold are recorded as other comprehensive loss in equity (revaluation account) to the extent that they do not exceed prior periods' net unrealized gains accumulated in equity (revaluation account). Realized profits from gold are reflected in the capital accounts (revaluation accounts).

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023 KZT'000	31 December 2022 KZT'000
Placements and loans with banks and other financial institutions measured at amortised cost	1,952,488,945	1,916,980,446
Placements and loans with banks and other financial institutions measured at FVTPL	277,172,381	247,782,030
	2,229,661,326	2,164,762,476

	Stage 1	Stage 2	Stage 3	Total 2023
ACCOUNTED AT AMORTISED COST				
Other accounts in foreign banks and financial institutions				
- with a credit rating from A- to A+ NBK quota in the International Monetary Fund	62,105,801	-	-	62,105,801
Total other accounts in foreign banks and financial institutions	768,579,209	-	-	768,579,209
Loans and deposits from banks and receivables from Kazakhstan banks and other financial institutions				
Bank deposits				
- with a credit rating from BBB	29,141	-	-	29,141
- with a credit rating from BB- to BB+	62,700,931	-	-	62,700,931
- with a credit rating from B- to B	923,575	6,967	-	930,542
- do not have an assigned credit rating	971,252	419	28,379	1,000,050
Total deposits in banks	64,624,899	7,386	28,379	64,660,664
Allowance for expected credit losses	(165,183)	(2,104)	(28,379)	(195,666)
Total deposits with banks less provision for expected credit losses	64,459,716	5,282	-	64,464,998

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

Loans provided				
- with a credit rating from BBB-	935,259,278	-	-	935,259,278
- with a credit rating from BB-	170,796,503	-	-	170,796,503
- with a credit rating from B-	5,062,336	-	-	5,062,336
- do not have an assigned credit rating	-	-	19,555,382	19,555,382
Total loans provided	1,111,118,117	-	19,555,382	1,130,673,499
Allowance for expected credit losses	(1,562,661)	-	(19,555,382)	(21,118,043)
Total loans issued less provision for expected credit losses	1,109,555,456	-	-	1,109,555,456
Accounts receivable from other financial institutions				
Accounts receivable from UAPF JSC	4,885,494	-	-	4,885,494
Accounts receivable from the Ministry of Finance of the Republic of Kazakhstan	5,003,788	-	-	5,003,788
Total accounts receivable from other financial institutions	9,889,282	-	-	9,889,282
Total loans and deposits in banks and receivables from Kazakhstan banks and other financial institutions	1,183,904,454	5,282	-	1,183,909,736
Total accounts, loans and deposits with banks carried at amortised cost, before allowance for expected credit losses	1,954,211,507	7,386	19,583,761	1,973,802,654
Total allowance for expected credit losses	(1,727,844)	(2,104)	(19,583,761)	(21,313,709)
Total accounts, loans and deposits with banks and other financial institutions carried at amortised cost, less allowance for expected credit losses	1,952,483,663	5,282	-	1,952,488,945

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

	Stage 1	Stage 2	Stage 3	Total 2022
ACCOUNTED AT AMORTISED COST				
Other accounts in foreign banks and financial institutions				
- with a credit rating from A- to A+	8,927,292	-	-	8,927,292
- with a credit rating from BBB- to BBB+	32,514,200	-	-	32,514,200
- with a credit rating from BB- to BB+	54	-	-	54
NBK quota in the International Monetary Fund	713,238,464	-	-	713,238,464
Accounts receivable from transactions in foreign currency	27,357,573	-	-	27,357,573
Total other accounts in foreign banks and financial institutions	782,037,583	-	-	782,037,583
Loans and deposits from banks and receivables from Kazakhstan banks and other financial institutions				
Bank deposits				
- with a credit rating from BB- to BB+	64,393,686	-	-	64,393,686
- with a credit rating from B- to B+	3,501,595	6,228	-	3,507,823
- do not have an assigned credit rating	921,546	164,151	28,420	1,114,117
Total deposits in banks	68,816,827	170,379	28,420	69,015,626
Allowance for expected credit losses	(175,916)	(71,286)	(28,420)	(275,622)
Total deposits with banks less provision for expected credit losses	68,640,911	99,093	-	68,740,004

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

Loans provided**				
- with a credit rating from BBB- to BBB	901,429,045	-	-	901,429,045
- with a credit rating from B- to B+	162,119,059	-	-	162,119,059
- do not have an assigned credit rating		-	35,586,922	35,586,922
Total loans provided	1,063,548,104	-	35,586,922	1,099,135,026
Allowance for expected credit losses	(2,298,566)	-	(35,586,922)	(37,885,488)
Total loans issued less provision for expected credit losses	1,061,249,538	-	-	1,061,249,538
Accounts receivable from other financial institutions				
Accounts receivable from UAPF JSC	1,453,210	-	-	1,453,210
Accounts receivable from the Ministry of Finance of the Republic of Kazakhstan	3,500,111	-	-	3,500,111
Total accounts receivable from other financial institutions	4,953,321	-	-	4,953,321
Total loans and deposits in banks and receivables from Kazakhstan banks and other financial institutions	1,134,843,770	99,093	-	1,134,942,863
Total accounts, loans and deposits with banks carried at amortised cost, before allowance for expected credit losses	1,919,355,835	170,379	35,615,342	1,955,141,556
Total allowance for expected credit losses	(2,474,482)	(71,286)	(35,615,342)	(38,161,110)
Total accounts, loans and deposits with banks and other financial institutions carried at amortised cost, less allowance for expected credit losses	1,916,881,353	99,093	-	1,916,980,446

* As at 31 December 2023, other accounts with foreign banks and financial institutions include uninvested cash under management of the Group, restricted in use, in the amount of KZT 26,963,126 thousand (31 December 2022: KZT 38,754,218 thousand), which were not included in cash equivalents.

** Loans provided at amortised cost include coupon bonds of second-tier banks and quasi-public sector organisations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

	31 December 2023 KZT'000	31 December 2022 KZT'000
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Placements with banks*		
- Rated BB- to BB+	20,733,036	20,853,224
- Rated from B- to B+	330,607	4,632,784
Total placements with banks	21,063,643	25,486,008
Loans issued **		
- Rated BBB- to BBB	475,639	616,998
- Rated from BB-	236,999,968	-
- Rated from B- to B+	18,633,131	221,679,024
Total loans issued	256,108,738	222,296,022
Total placements and loans with banks and other financial institutions measured at fair value	277,172,381	247,782,030

* Deposits with banks measured at fair value through profit or loss include investments in bank deposits under the mortgage loan refinancing program. Such investments do not meet the SPPI criterion (solely payment of principal and interest), since the remuneration on bank deposits under the mortgage loan refinancing program is not fixed due to the fact that banks partially or fully withhold the remuneration to cover the costs of state duty and exchange rate differences individually for each mortgage loan refinanced under the specified program.

**The loans provided, measured at fair value through profit or loss, represent subordinated bonds of banks acquired as part of the financial support program for the banking sector. In accordance with IFRS 9, subordinated bonds were classified as mandatorily measured at fair value through profit or loss due to non-compliance with the SPPI criterion, due to the presence of a mechanism for exchanging subordinated debt for ordinary shares of the bank in the event of a deterioration in the financial position of banks and the identifying facts of asset withdrawal.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for placements and loans with banks and other financial institutions for 2023 and 2022 is as follows:

KZT'000	2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	2,474,103	71,665	35,615,342	-	38,161,110
Transfer to Stage 1	69,835	(69,835)	-	-	-
Net movement in loss allowance	(889,197)	274	(5,000,041)	(2,977,619)	(8,866,583)
New financial assets originated or purchased*	73,103	-	-	-	73,103
Financial assets that have been derecognised	-	-	(11,031,540)	-	(11,031,540)
Recovery of previously written-off assets	-	-	-	2,977,619	2,977,619
Balance at 31 December	1,727,844	2,104	19,583,761	-	21,313,709
KZT'000	2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	8,126,473	-	41,324,717	-	49,451,190
Transfer to Stage 1	(379)	379	-	-	-
Transfer to Stage 3	(2,732,227)	-	2,732,227	-	-
Net movement in loss allowance	(3,224,188)	71,286	(5,709,375)	1,465,655	(7,396,622)
New financial assets originated or purchased*	304,764	-	-	-	304,764
Financial assets that have been derecognised	(340)	-	-	-	(340)
Write-offs	-	-	(2,732,227)	(1,465,655)	(4,197,882)
Balance at 31 December	2,474,103	71,665	35,615,342	-	38,161,110

* includes new financial assets created during the year, including transfers of these assets between stages.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

15. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

During 2023, the estimated reserve for losses on bonds of “SK DSFC” LLP was restored for a total amount of 2,977,619 thousand tenge (2022: written off and restored for a total amount of 1,465,655 thousand tenge).

In 2023, a partial repayment of overdue loans of KZT 16,031,540 thousand resulted in decrease of loss allowance by KZT 16,031,540 thousand.

As at 31 December 2023, loans in the amount of KZT 19,555,382 thousand were overdue for a period of more than 90 days (31 December 2022: KZT 35,586,922 thousand) and provisions for them were created in the amount of 100%.

As at 31 December 2023 and 31 December 2022, the Group has an account with the International Monetary Fund (“IMF”), the balance of which is more than 10% of capital. The account balance of the specified counterparty as of 31 December 2023 is KZT 706,473,408 thousand (31 December 2022: KZT 713,238,464 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss consisted of the following at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022
	KZT'000	KZT'000
Assets		
Assets under external management		
Investments in private equity funds	814,812,176	785,919,977
Investments in hedge funds	270,668,196	239,088,677
Investments in property fund	82,309,027	65,902,980
Investments in other funds	30,665,464	17,066,293
Futures	1,124,763	1,458,112
Forwards	647,909	801,912
Assets under own management		
Forwards	276,834	-
Total financial instruments at fair value through profit or loss	1,200,504,369	1,110,237,951
Liabilities		
Liabilities under external management		
Forwards	(457,684)	(59,491)
Futures	(2,116,905)	(1,701,281)
Liabilities under own management		
Swap	(37,327)	(10,168)
Total financial instruments at fair value through profit or loss	(2,611,916)	(1,770,940)

Investments in alternative instruments presented in this note comprised investments in hedge-funds and private equity funds in accordance with the strategy of gold and foreign exchange reserves and Investment Strategy for management of portfolio of alternative instruments of the NBK's gold and foreign currency reserves approved by the Resolution of the NBK dated 28 May 2018, No.100.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

16. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED**Investments in hedge funds**

Investments in the hedge funds under management of Group (hereinafter, the “Portfolio of investments in hedge funds”) comprise investments, which are made through the structure of the fund of funds to different investment funds established to accumulate the investors’ funds to invest in accordance with certain investment strategies in various markets and in different types of financial instruments. As at 31 December 2023 and 31 December 2022, the geographical distribution of the portfolio of investments in hedge funds falls mostly on North America and Europe. US Dollar is the investment currency in the hedge funds. Investment funds are established in the form of the companies or partnerships. In turn, these investment funds hold a significant part of their positions in the highly liquid securities and financial derivatives which are measured at the quoted market value, and in less liquid securities and financial derivatives which are measured at fair value (Note 35).

Investments in private equity funds

Investments in private equity funds managed by the subsidiary of the National Bank NICK Master Fund Ltd represent investments in funds through a fund of funds structure and co-investments with funds made for the purpose of accumulating investor funds for investment in the equity capital or securities of investee companies. Investment funds can be organized as companies or partnerships. The private equity portfolio includes funds investing in various sectors and regions. As of 31 December 2023 and 31 December 2022, the majority of the portfolio's holdings include direct investments in the information technology, consumer goods and services, healthcare, industrial and financial sectors. The bulk of investment in North America and Western Europe. The Funds' primary investment currency is the US dollar, with investments also available in euros, Australian dollar and pounds sterling (Note 35).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

16. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED**Investments in real estate funds**

Investments in real estate funds managed by the Group (hereinafter referred to as the “real estate portfolio”) are investments in funds through a fund of funds structure, made with the aim of generating rental income and/or growth in the value of real estate. Investment funds can be organized as companies or partnerships. The real estate investment portfolio includes funds that invest in different types of buildings in different regions. Real estate investing started in 2018. As of 31 December 2023 and 31 December 2022, the largest portion of the portfolio consists of real estate properties in North America, Europe, and Asia. The primary currency for investments in real estate funds is the US dollar, with investments also made in euros and Japanese yen (Note 35).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED

The tables below summarises, by major currencies, the contractual amounts of the National Bank's outstanding balances from derivative transactions, as at 31 December 2023 and 31 December 2022 with details of the contracted weighted average exchange rates and remaining periods to maturity.

	Contract amount/notional amount KZT'000				Weighted-average contracted futures prices/exchange rates	
	2023		2022		2023	2022
Swap						
for the period less than 3 months						
Buy USD to KZT	115,912,800	(115,950,127)	-	-	454.71	-
Buy KZT to USD			78,394,202	(78,404,370)		462.59
Forwards						
for the period less than 3 months						
Buy USD for JPY	45,639,320	(45,362,486)	-	-	0.0071	-
Buy USD for CAD	16,053,044	(16,462,161)	17,734,696	(17,534,915)	1.35	1.34
Buy EUR for USD	11,601,905	(11,455,100)	2,162,731	(2,144,045)	1.09	1.05
Buy EUR for USD	5,493,139	(5,465,065)	2,274,202	(2,251,931)	1.10	0.95
Buy CHF for USD	5,187,914	(5,006,679)	4,887,496	(4,821,666)	1.15	1.06
Buy CAD for USD	2,725,491	(2,646,957)	3,573,468	(3,616,767)	0.74	0.74
Buy AUD for USD	1,824,148	(1,770,541)	218,842	(220,574)	0.66	0.68
Buy JPY for USD	1,667,459	(1,592,992)	3,871,010	(3,847,605)	0.0068	0.0074
Buy USD for GBP	1,557,133	(1,564,092)	1,377,082	(1,374,021)	0.79	0.83
Buy AUD for USD	1,291,383	(1,257,439)	971,541	(963,113)	0.66	0.67
Buy JPY for USD	1,279,576	(1,228,333)	1,618,207	(1,570,611)	0.0068	0.0072
Buy USD for CHF	1,055,437	(1,094,876)	903,710	(918,170)	0.87	0.94
Buy USD for GBP	287,577	(289,746)	3,558,660	(3,508,366)	0.79	0.82
Buy USD for JPY	-	-	2,472,793	(2,110,234)	-	114.20
Total	95,663,526	(95,196,467)	45,624,438	(44,882,018)		
Futures						
for a period of less than three months, where the underlying assets are bonds						
Contract in USD	80,554,252	(81,517,702)	119,889,736	(119,716,044)	-	-
Contract in EUR	49,287,943	(49,223,638)	30,494,723	(31,016,341)	-	-
Contract in JPY	-	-	502,064	(512,146)	-	-
Contract in GBP	4,321,786	(4,084,490)	4,516,665	(4,635,297)	-	-
Contract in CAD	9,507,064	(9,846,864)	9,707,107	(9,473,636)	-	-
Contract in AUD	961,154	(951,647)	980,853	(980,853)	-	-
Total	144,632,199	(145,624,341)	166,091,148	(166,334,317)		
Total	356,208,525	(356,770,935)	290,109,788	(289,620,705)		

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023		
	Stage 1	Stage 2	Total
<i>Investment securities measured at fair value through other comprehensive income</i>			
<i>Debt instruments</i>			
<i>Investments in securities of foreign issuers</i>			
Government bonds	2,310,557,833	-	2,310,557,833
- Rated AAA	118,029,331	-	118,029,331
- Rated from AA- to AA+	1,717,551,340	-	1,717,551,340
- Rated from A- to A	128,722,168	-	128,722,168
- Rated from BBB- to BBB	332,702,148	-	332,702,148
- Rated from BB- to BB+	13,552,846	-	13,552,846
Corporate bonds of international companies	909,997,286	936,712	910,933,998
- Rated AAA	55,645,639	-	55,645,639
- Rated from AA+ to AA-	65,793,948	-	65,793,948
- Rated from A+ to A-	313,572,074	338,993	313,911,067
- Rated from BBB+ to BBB-	411,191,663	388,655	411,580,318
- Rated from BB+ to BB-	41,801,842	209,064	42,010,906
No credit rating	21,992,120	-	21,992,120
Debt securities of international government and non-government financial organisations	309,315,799	-	309,315,799
- Rated AAA	207,770,858	-	207,770,858
- Rated from AA+ to AA-	82,645,750	-	82,645,750
- Rated from A+ to A-	17,636,196	-	17,636,196
- Rated from BBB+ to BBB-	1,262,995	-	1,262,995
Total investments in securities of foreign issuers	3,529,870,918	936,712	3,530,807,630
<i>Investment securities measured at fair value through other comprehensive income</i>			
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan with a credit rating of BBB-	1,290,698,773	-	1,290,698,773
Encumbered with collateral under repo transactions			
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan with a credit rating of BBB-	6,007,596	-	6,007,596
Corporate bonds of Kazakh issuers			
- Rated from BBB+ to BBB-	43,253,323	-	43,253,323
- Rated from BB+ to BB-	68,077,844	-	68,077,844
Total investments in securities of Kazakhstani issuers	1,408,037,536	-	1,408,037,536
Total investments in debt instruments before allowance for expected credit losses	4,937,908,454	936,712	4,938,845,166
Loss allowance	(2,031,110)	(33,577)	(2,064,687)
Total investments in debt instruments	4,935,877,344	903,135	4,936,780,479

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

<i>Investment securities measured at fair value through other comprehensive income</i>	31 December 2022		
	Stage 1	Stage 2	Total
Debt instruments			
Investments in securities of foreign issuers			
Government bonds	2,701,477,428	72,764,517	2,774,241,945
- Rated AAA	108,466,175	-	108,466,175
- Rated from AA- to AA+	2,156,911,228	-	2,156,911,228
- Rated from A- to A	146,981,527	-	146,981,527
- Rated from BBB- to BBB	279,847,655	72,764,517	352,612,172
- Rated from BB- to BB+	9,270,843	-	9,270,843
Corporate bonds of international companies	647,829,439	19,317,173	667,146,612
- Rated AAA	3,444,976	-	3,444,976
- Rated from AA+ to AA-	46,803,654	2,460,567	49,264,221
- Rated from A+ to A-	262,285,780	12,838,304	275,124,084
- Rated from BBB+ to BBB-	330,835,323	4,018,302	334,853,625
- Rated from BB+ to BB-	4,459,706	-	4,459,706
Debt securities of international government and non-government financial organisations	126,939,432	1,317,656	128,257,088
- Rated AAA	42,817,363	-	42,817,363
- Rated from AA+ to AA-	50,243,904	-	50,243,904
- Rated from A+ to A-	29,146,401	1,317,656	30,464,057
- Rated from BBB+ to BBB-	4,731,764	-	4,731,764
Total investments in foreign securities	3,476,246,299	93,399,346	3,569,645,645
Investments in Kazakhstan securities			
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	439,008,363	-	439,008,363
Pledged under sale and repurchase agreements			
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	5,775,086	-	5,775,086
Total investments in Kazakhstan securities	444,783,449	-	444,783,449
Total debt investments	3,921,029,748	93,399,346	4,014,429,094
Allowance for expected credit losses	(403,512)	(303,943)	(707,455)
Total investments in debt instruments	3,920,626,236	93,095,403	4,013,721,639

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

	31 December 2023 KZT'000	31 December 2022 KZT'000
Equity instruments		
Shares of NC “KazMunayGas” JSC	670,379,136	541,967,520
Corporate shares	379,380	2,046,286
Total equity investments	670,758,516	544,013,806
Total investment securities measured at fair value through other comprehensive income*	5,609,603,682	4,558,442,900

* Investment securities measured at fair value through other comprehensive income are stated at fair value, while the loss allowance is recognised in other comprehensive income.

Investment securities measured at fair value through other comprehensive income include ordinary shares of JSC NC KazMunayGas in the amount of KZT 670,379,136 thousand in 2023 (KZT 541,967,520 thousand in 2022). In 2021, these shares were accounted at nominal value, the fair value of which could not be estimated with a sufficient degree of reliability. In 2022, JSC NC KazMunayGas held an IPO with listing on local stock exchanges of the Republic of Kazakhstan. In this regard, these shares are currently revalued daily using data from the stock exchanges. Using quotes for the reporting date on the local stock exchange, the NBK revalued these equity instruments. In 2023, revaluation gains in the amount of KZT 128,411,616 thousand were recognized in other comprehensive income (2022: loss of 208,032,480 thousand tenge).

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

As 31 December 2023 the bonds of the Ministry of Finance of the Republic of Kazakhstan with market value of KZT 6,007,596 (31 December 2022: KZT 5,775,086 thousand) are subject to a registered debenture to secure the repurchase agreements.

As at 31 December 2023 a portion of investment securities measured at fair value through other comprehensive income was under the management of six (31 December 2022: six) foreign asset management organisations.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

The portfolios under external management pursue the following investment strategies:

External manager	31 December 2023 KZT'000	31 December 2022 KZT'000	Strategy	Index
“National Investment Corporation of the NBK JSC” own management	112,151,558	114,110,875	Alternative instruments	MSCI ACWI Investable Market Net Total Return Index (M1WDIM) - 80% Barclays Global Aggregate Bond Index (LEGATRUH) - 20%
Amundi Corporate Bonds	121,426,656	114,229,400	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
External manager	31 December 2023 KZT'000	31 December 2022 KZT'000	Strategy	Index
Nomura Asset Management U.K. Limited	370,752,982	338,847,947	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Wellington	118,766,788	109,060,452	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Aviva Investors Global Services Limited	409,077,681	379,284,163	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
Deutsche Asset Management International GmbH	335,627,244	325,662,207	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
Total assets under external management	1,467,802,909	1,381,195,044		

As at 31 December 2023 uninvested balances equivalent to KZT 86,047,937 thousand (31 December 2022: KZT 85,857,318 thousand), related to portfolios under external management are presented within "Cash and cash equivalents" (Note 13).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for investment securities measured at fair value through other comprehensive income is as follows:

KZT'000	2023		
	Stage 1	Stage 2	Total
Investment securities measured at fair value through other comprehensive income			
Balance at 1 January	403,512	303,943	707,455
- Transfer to Stage 2	(23,619)	23,619	-
Net remeasurement of loss allowance	(242,922)	(275,650)	(518,572)
New financial assets originated or purchased	1,983,988	24,751	2,008,739
Financial assets that have been derecognised	(85,201)	(35,059)	(120,260)
Foreign exchange and other movements	(4,648)	(8,027)	(12,675)
Balance at 31 December	2,031,110	33,577	2,064,687
Investment securities measured at fair value through other comprehensive income			
Balance at 1 January	280,376	581,549	861,925
- Transfer to Stage 2	(64,860)	64,860	-
Net remeasurement of loss allowance	201,069	(210,468)	(9,399)
New financial assets originated or purchased	70,777	97,939	168,716
Financial assets that have been derecognised	(92,456)	(271,508)	(363,964)
Foreign exchange and other movements	8,606	41,571	50,177
Balance at 31 December	403,512	303,943	707,455

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	31 December 2023 KZT'000	31 December 2022 KZT'000
Investments in foreign securities		
Government bonds rated A+	93,566,646	95,191,916
Rated agency bonds	7,896,936	8,241,545
Eurobonds rated AAA	-	50,066,147
Corporate bonds rated AAA	-	4,481,882
	101,463,582	157,981,490
Allowance for expected credit losses	(193)	(37,687)
Carrying amount of investments in foreign securities	101,463,389	157,943,803
Investments in Kazakhstan securities		
Bonds of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	196,533,305	1,098,743,044
Securities of second-tier banks and other organisations	-	149,563,551
	196,533,305	1,248,306,595
Allowance for expected credit losses	(135,853)	(215,800)
Carrying amount of investments in Kazakhstan securities	196,397,452	1,248,090,795
Gross investment securities	297,996,887	1,406,288,085
Allowance for expected credit losses	(136,046)	(253,487)
Total investment securities	297,860,841	1,406,034,598

* All investments in securities relate to Stage 1 credit risk.

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for investment securities measured at amortised cost for 2023 and 2022 is as follows:

	2023 KZT'000	2022 KZT'000
	Stage 1	Stage 1
Investment securities measured at amortised cost		
Balance at 1 January	253,487	224,026
Net remeasurement of loss allowance	299,429	29,448
New financial assets originated or purchased	45,035	26
Financial assets that have been derecognised	(461,896)	(26)
Foreign exchange and other movements	(9)	13
Balance at 31 December	136,046	253,487

As at 31 December 2023 and 31 December 2022 the National Bank recognises loss allowances on investment securities measured at amortised cost at an amount equal to 12-month ECL.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. OTHER ASSETS

	31 December 2023	31 December 2022
	KZT'000	KZT'000
Claims for repurchased loans	1,130,129,827	1,064,140,851
Other receivables	22,818,244	19,668,751
Gross other financial assets	1,152,948,071	1,083,809,602
Allowance for expected credit losses on claims on repurchased loans	(15,799)	(57,639)
Charge of allowance for expected credit losses on other financial assets	(1,017,584)	(934,820)
Allowance for expected credit losses	(1,033,383)	(992,459)
Total other financial assets	1,151,914,688	1,082,817,143
Inventories	21,965,151	24,614,292
Refined and non-refined precious metals and stones	7,154,009	5,731,482
Prepayments for property, plant and equipment	22,963,864	14,105,588
Prepayment for banknotes and coins production	-	183,846
Other*	2,314,715	1,174,862
Total other non-financial assets	54,397,739	45,810,070
Total other assets	1,206,312,427	1,128,627,213

*As of 31 December 2023, the receivables of PricewaterhouseCoopers LLP are reflected for prepayment in the amount of 30% of the cost of services for auditing the financial statements of the Group for 2023 in the amount of KZT 32,782 thousand.

in thousand tenge	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Requirements for repurchased loans				
- Rated BBB	13,938,462	55,077	-	13,993,539
- Rated BB+	104,810,615	305,404	6,137	105,122,156
- Rated BB	313,322,254	1,671,618	12,887	315,006,759
- Rated BB-	469,808,665	1,094,941	23,707	470,927,313
- Rated B	224,567,248	512,812	-	225,080,060
Gross book value	1,126,447,244	3,639,852	42,731	1,130,129,827
Loss allowance	(15,362)	(413)	(24)	(15,799)
Book value	1,126,431,882	3,639,439	42,707	1,130,114,028

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. OTHER ASSETS, CONTINUED

in thousand tenge	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Requirements for repurchased loans</i>				
- Rated BB+	107,075,555	251,941	-	107,327,496
- Rated BB-	2,487,409	-	-	2,487,409
- Rated B+	416,318,919	708,470	61,265	417,088,654
- Rated B	32,742,550	223,460	-	32,966,010
- Rated B-	147,930,113	147,646	-	148,077,759
No credit rating**	355,231,595	882,988	78,940	356,193,523
Gross book value	1,061,786,141	2,214,505	140,205	1,064,140,851
Loss allowance	(52,616)	(683)	(4,340)	(57,639)
Book value	1,061,733,525	2,213,822	135,865	1,064,083,212

** Claims for purchased loans without a credit rating include claims for purchased loans of “Bereke Bank” JSC that do not have an assigned external credit rating. In 2022, “SB Sberbank” JSC was officially renamed “Bereke Bank” JSC.

Claims on repurchased mortgage loans include amounts receivable from commercial bank-partners for purchased rights of claim on KZT-denominated mortgage loans.

“KSF” JSC is an Operator of two socially significant programmes on mortgage loans financing: “7-20-25. New Opportunities for Housing Purchase for Each Family” and “Baspana Hit”. “Baspana Hit” programme (conclusion of the bank loan agreements) was in effect until the end of 2021. During 2023 “KSF” JSC purchased mortgage loan portfolios from nine second-tier banks (2022: “KSF” JSC purchased mortgage loan portfolios from nine second-tier banks).

As at 31 December 2023 the volume of claims on repurchased loans was KZT 1,130,129,827 thousand (2022: KZT 1,064,140,851 thousand). As at 31 December 2023 the allowance for expected credit losses on claims on repurchased loans amounted to KZT 15,799 thousand (31 December 2022: KZT 57,639 thousand).

In accordance with the terms of agreements with bank-partners, they are obligated to repurchase the rights of claim to loans if there is a delay in the payment of principal debt and interest for a period of more than 90 days.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. OTHER ASSETS, CONTINUED

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for repurchased loans for 2023 and 2022 is as follows:

KZT'000	2023			
	Stage 1	Stage 2	Stage 3	Total
Claims for repurchased loans				
Balance at 1 January	52,616	683	4,340	57,639
Transfer to Stage 1	343	(343)	-	-
Transfer to Stage 2	(230)	230	-	-
Net remeasurement of loss allowance	(37,719)	111	(969)	(38,577)
New financial assets originated or purchased	2,917	40	-	2,957
Financial assets that have been derecognised	(2,565)	(308)	(3,347)	(6,220)
Balance at 31 December	15,362	413	24	15,799

KZT'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Claims for repurchased loans				
Balance at 1 January	11,249	136	9,837	21,222
Transfer to Stage 1	1,155	(49)	(1,106)	-
Transfer to Stage 2	(22)	22	-	-
Transfer to Stage 3	(1)	-	1	-
Net remeasurement of loss allowance	28,308	522	1,544	30,374
New financial assets originated or purchased	12,783	126	-	12,909
Financial assets that have been derecognised	(856)	(74)	(5,936)	(6,866)
Balance at 31 December	52,616	683	4,340	57,639

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. OTHER ASSETS, CONTINUED

Analysis of allowance for expected credit losses, continued

Movement in the impairment allowance for expected credit losses on other financial assets for 2023 and 2022 is as follows:

KZT'000	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance at 1 January	410,205	1,176	523,439	934,820
New financial assets originated or purchased	38,602	-	-	38,602
Financial assets that have been derecognised	(16,616)	-	-	(16,616)
Net remeasurement of loss allowance	(186,303)	48,184	255,883	117,764
Write-offs	(10,392)	-	(43,297)	(53,689)
Foreign exchange and other movements	-	-	(3,297)	(3,297)
Balance at 31 December	235,496	49,360	732,728	1,017,584

KZT'000	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance at 1 January	357,856	1,088	448,786	807,730
Transfer to Stage 2	(8,991)	8,991	-	-
Transfer to Stage 3		(8,991)	8,991	-
New financial assets originated or purchased	243,537	-	128,319	371,856
Financial assets that have been derecognised	(15,721)	-	(42,503)	(58,224)
Net remeasurement of loss allowance	(112,741)	88	(13,471)	(126,124)
Write-offs	(53,735)	-	(8,406)	(62,141)
Foreign exchange and other movements	-	-	1,723	1,723
Balance at 31 December	410,205	1,176	523,439	934,820

20. CURRENCY IN CIRCULATION

	31 December 2023	31 December 2022
	KZT'000	KZT'000
Banknotes and coins in circulation	4,111,979,762	3,825,808,192
Less banknotes and coins on hand	(1,618,690)	(1,502,886)
	4,110,361,072	3,824,305,306

Cash in circulation is stated in the consolidated statement of financial position at its nominal value.

Cash in circulation is recorded as a liability when it is issued by the NBK to commercial banks. Banknotes and coins in national currency available in vaults and cash desks are not included in money in circulation.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023 KZT'000	31 December 2022 KZT'000
Deposits and balances from foreign banks and other financial institutions		
Current accounts of international financial organisations	585,619,262	591,226,976
OECD based banks	25,370	25,873
Other foreign banks	118,956,033	64,120,138
Total deposits and balances from foreign banks and other financial institutions	704,600,665	655,372,987
Deposits and balances from Kazakhstan banks and other financial institutions		
Loro accounts		
Kazakhstan 10 top banks*	1,242,042,445	1,740,345,445
Other Kazakhstan banks and financial institutions	751,470,631	875,658,046
Deposits		
Kazakhstan 10 top banks*	2,662,184,935	3,673,546,431
Other Kazakhstan banks and financial institutions	2,869,278,417	1,320,135,657
Total deposits and balances from Kazakhstan banks	7,524,976,428	7,609,685,579
Total deposits and balances from banks and other financial institutions	8,229,577,093	8,265,058,566

* based on total assets as at 31 December 2023.

As at 31 December 2023 the Group has four counterparties (31 December 2022: five counterparties), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is KZT 3,340,743,350 thousand (31 December 2022: KZT 4,202,658,543 thousand).

As at 31 December 2023 the current accounts of international financial organisations include the membership quota of the Republic of Kazakhstan in the International Monetary Fund (the “IMF”) in the amount of KZT 585,612,421 thousand (31 December 2022: KZT 591,220,135 thousand). A membership quota expressed in Special Drawing Rights (“SDRs”) is assigned to each member of the IMF. The NBK issued promissory notes to the IMF in the amount of the quota (SDR 960,225 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

22. CURRENT ACCOUNTS OF THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

As at 31 December 2023 current accounts of the National Fund of the Republic of Kazakhstan (the “National Fund”) amounted to KZT 133,146,046 thousand (31 December 2022: KZT 118,615,388 thousand).

During 2023 and 2022 the Group performed the trust management activities over the assets of the National Fund. Assets and liabilities of the National Fund are not included in these consolidated financial statements, except for the National Fund's current accounts with the NBK and the NBK's obligations to the National Fund (Note 27).

23. CURRENT ACCOUNTS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2023 KZT'000	31 December 2022 KZT'000
In national currency	1,931,097,223	1,641,506,949
In foreign currency	1,762,171	174,160,746
	<u>1,932,859,394</u>	<u>1,815,667,695</u>

24. CUSTOMER ACCOUNTS

	31 December 2023 KZT'000	31 December 2022 KZT'000
In national currency	368,602,194	335,214,384
In foreign currency	131,916	224,738
	<u>368,734,110</u>	<u>335,439,122</u>

During 2023 and 2022 the NBK maintained customer accounts in foreign and national currencies. NBK customers' industry is state management, and industries, in which the customers of the NBK's subsidiaries are operating are financial agency services, insurance and liquidation of banks.

As at 31 December 2023 there is no customer with a balance exceeding 2% of equity (31 December 2022: customer accounts included one customer with a balance exceeding 2% of equity).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

25. DEBT SECURITIES ISSUED

As at 31 December 2023 debt securities issued by the NBK had the following issue structure:

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZW100014098	604,528,608	11.12.2023	10.01.2024	15.15
KZW100014106	597,948,053	25.12.2023	10.01.2024	14.70
	1,202,476,661			

As at 31 December 2023 debt securities issued by “KSF” JSC had the following issue structure:

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00006476	5,133,576	10.04.2020	10.04.2025	11.52
KZ2C00006476	6,679,381	15.05.2020	10.04.2025	11.44
KZ2C00006476	3,084,293	22.05.2020	10.04.2025	11.39
KZ2C00006476	5,140,817	05.06.2020	10.04.2025	11.37
KZ2C00006476	3,085,641	19.06.2020	10.04.2025	11.35
KZ2C00006476	3,086,199	26.06.2020	10.04.2025	11.33
KZ2C00006476	5,144,383	10.07.2020	10.04.2025	11.32
KZ2C00006476	515,083	24.07.2020	10.04.2025	11.20
KZ2C00006476	5,151,572	30.07.2020	10.04.2025	11.19
KZ2C00006476	3,094,526	04.09.2020	10.04.2025	11.09
KZ2C00006476	11,344,890	02.10.2020	10.04.2025	11.10
KZ2C00006955	6,889,393	11.09.2020	11.09.2025	11.24
KZ2C00006955	6,888,541	18.09.2020	11.09.2025	11.29
KZ2C00006955	15,753,002	25.09.2020	11.09.2025	11.25
KZ2C00006906	204,687,237	21.10.2020	21.10.2032	11.91
KZ2C00007136	9,355,115	20.11.2020	20.11.2030	11.11
KZ2C00007110	4,898,343	11.12.2020	11.12.2025	11.02
KZ2C00007110	9,804,026	25.12.2020	11.12.2025	10.98
KZ2C00007110	9,387,113	15.01.2021	11.12.2025	10.72
KZ2C00007110	4,742,584	25.11.2022	11.12.2025	17.76
KZ2C00007128	14,349,630	14.12.2020	14.12.2027	11.05
KZ2C00007318	42,729,489	14.12.2020	22.01.2026	10.65
KZ2C00007318	10,696,007	05.02.2021	22.01.2026	10.60
KZ2C00007318	9,858,657	23.09.2022	22.01.2026	15.75

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00007318	9,858,592	07.10.2022	22.01.2026	15.75
KZ2C00007318	28,684,739	11.11.2022	22.01.2026	17.71
KZ2C00007300	10,862,744	29.01.2021	29.01.2024	10.32
KZ2C00007300	5,431,638	05.02.2021	29.01.2024	10.26
KZ2C00007300	10,863,890	12.02.2021	29.01.2024	10.19
KZ2C00007300	10,864,676	19.02.2021	29.01.2024	10.10
KZ2C00007300	21,634,492	30.09.2022	29.01.2024	15.78
KZ2C00007300	16,225,797	21.10.2022	29.01.2024	15.78
KZ2C00007300	10,803,603	04.11.2022	29.01.2024	17.42
KZ2C00007300	2,808,914	11.11.2022	29.01.2024	17.43
KZ2C00007300	14,044,654	18.11.2022	29.01.2024	17.43
KZ2C00007326	31,524,475	12.02.2021	12.02.2028	10.53
KZ2C00007326	21,079,544	05.03.2021	12.02.2028	10.42
KZ2C00007334	15,451,513	05.03.2021	05.03.2031	10.47
KZ2C00007573	10,460,061	18.06.2021	18.06.2024	10.10
KZ2C00007581	10,418,989	02.07.2021	02.07.2024	10.14
KZ2C00007524	9,802,931	23.09.2022	23.09.2024	16.08
KZ2C00008910	10,476,638	29.09.2022	29.09.2025	19.15
KZ2C00008910	10,436,628	20.10.2022	29.09.2025	19.43
KZ2C00008910	3,120,605	04.11.2022	29.09.2025	19.67
KZ2C00008910	3,305,969	11.11.2022	29.09.2025	20.19
KZ2C00008910	10,323,638	25.11.2022	29.09.2025	20.23
KZ2C00008910	3,813,949	20.01.2023	29.09.2025	20.23
KZ2C00007532	9,105,169	04.11.2022	04.11.2024	17.59
KZ2C00007540	9,442,303	25.11.2022	25.11.2024	17.74
KZ2C00008928	10,190,162	25.11.2022	25.11.2027	20.33
KZ2C00008928	20,327,144	02.12.2022	25.11.2027	20.43
KZ2C00008928	10,136,672	09.12.2022	25.11.2027	20.54
KZ2C00008951	10,190,496	25.11.2022	25.11.2029	20.43
KZ2C00008951	20,311,332	02.12.2022	25.11.2029	20.53
KZ2C00008951	10,086,456	09.12.2022	25.11.2029	20.74
KZ2C00007557	9,428,472	02.12.2022	02.12.2024	17.55
KZ2C00008902	20,308,535	02.12.2022	02.12.2025	19.63
KZ2C00008902	10,137,177	12.12.2022	02.12.2025	19.74
KZ2C00008902	10,137,246	15.12.2022	02.12.2025	19.73
KZ2C00008936	10,903,123	20.01.2023	20.01.2028	20.30

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25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00008936	10,904,226	27.01.2023	20.01.2028	20.30
KZ2C00008936	7,091,053	03.02.2023	20.01.2028	20.28
KZ2C00008936	9,304,098	24.02.2023	20.01.2028	20.14
KZ2C00008936	5,484,233	03.03.2023	20.01.2028	20.08
KZ2C00008944	10,911,554	20.01.2023	20.01.2030	20.50
KZ2C00008944	10,912,614	27.01.2023	20.01.2030	20.49
KZ2C00008944	3,314,161	10.03.2023	20.01.2030	20.10
KZ2C00008944	11,054,210	17.03.2023	20.01.2030	20.08
KZ2C00008944	7,789,981	07.04.2023	20.01.2030	19.86
KZ2C00008720	21,431,262	17.02.2023	17.02.2024	17.03
KZ2C00008720	21,438,379	24.02.2023	17.02.2024	16.87
KZ2C00008738	5,326,850	03.03.2023	03.03.2024	16.15
KZ2C00008738	5,331,645	19.05.2023	03.03.2024	15.58
KZ2C00008738	6,398,569	26.05.2023	03.03.2024	15.54
KZ2C00008738	5,333,081	02.06.2023	03.03.2024	15.45
KZ2C00008738	5,333,777	09.06.2023	03.03.2024	15.35
KZ2C00008738	5,334,349	16.06.2023	03.03.2024	15.31
KZ2C00008738	5,335,190	23.06.2023	03.03.2024	15.25
KZ2C00008738	2,134,339	30.06.2023	03.03.2024	15.09
KZ2C00009462	5,237,758	31.03.2023	31.03.2026	19.55
KZ2C00009462	7,358,298	14.04.2023	31.03.2026	19.31
KZ2C00009462	6,320,316	21.04.2023	31.03.2026	19.22
KZ2C00009462	5,279,143	28.04.2023	31.03.2026	19.08
KZ2C00009462	9,533,062	05.05.2023	31.03.2026	18.91
KZ2C00009462	5,293,348	19.05.2023	31.03.2026	18.92
KZ2C00009462	3,177,202	23.06.2023	31.03.2026	18.90
KZ2C00009371	5,196,338	14.07.2023	14.07.2024	15.38
KZ2C00009371	5,198,493	21.07.2023	14.07.2024	15.30
KZ2C00009371	10,399,737	28.07.2023	14.07.2024	15.24
KZ2C00009371	9,889,765	04.08.2023	14.07.2024	15.20
KZ2C00009371	1,040,648	25.08.2023	14.07.2024	15.12
KZ2C00009371	9,887,848	22.09.2023	14.07.2024	14.95
KZ2C00009470	5,417,422	14.07.2023	14.07.2026	18.30
KZ2C00007565	9,604,873	11.08.2023	11.08.2025	15.05
KZ2C00009447	10,095,015	18.08.2023	18.08.2025	15.05
KZ2C00009447	9,086,729	25.08.2023	18.08.2025	15.04
KZ2C00009447	15,150,120	08.09.2023	18.08.2025	15.01
KZ2C00009447	6,062,478	15.09.2023	18.08.2025	14.98
KZ2C00009389	1,796,279	18.08.2023	18.08.2024	15.23
KZ2C00009389	3,085,608	06.10.2023	18.08.2024	14.87

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25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00009389	2,673,508	13.10.2023	18.08.2024	14.79
KZ2C00009389	4,531,148	20.10.2023	18.08.2024	14.73
KZ2C00009389	15,453,146	03.11.2023	18.08.2024	14.59
KZ2C00009389	10,352,326	15.12.2023	18.08.2024	13.72
KZ2C00009454	6,967,651	29.09.2023	29.09.2025	14.92
KZ2C00009454	5,008,143	10.11.2023	29.09.2025	14.48
KZ2C00009454	10,040,120	17.11.2023	29.09.2025	14.31
KZ2C00009454	10,063,760	24.11.2023	29.09.2025	14.16
Total for "KSF" JSC	1,213,866,317			
Total	2,416,342,978			

As at 31 December 2022, debt securities issued by the NBK had the following issue structure:

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZW100013819	1,079,194,364	12.12.2022	11.01.2023	16.71
KZW100013827	1,165,943,383	26.12.2022	25.01.2023	16.73
	2,245,137,747			

As at 31 December 2022, debt securities issued by "KSF" JSC had the following issue structure:

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00006484	15,122,562	27.02.2020	27.02.2023	10.75
KZ2C00006484	6,616,382	05.03.2020	27.02.2023	10.75
KZ2C00006484	15,591,067	10.04.2020	27.02.2023	11.50
KZ2C00006484	2,131,693	24.04.2020	27.02.2023	11.55
KZ2C00006484	7,068,147	15.05.2020	27.02.2023	11.45
KZ2C00006484	7,462,534	22.05.2020	27.02.2023	11.43
KZ2C00006484	5,330,642	05.06.2020	27.02.2023	11.37
KZ2C00006484	2,132,365	19.06.2020	27.02.2023	11.35
KZ2C00006484	6,397,446	26.06.2020	27.02.2023	11.32
KZ2C00006484	5,331,260	03.07.2020	27.02.2023	11.29
KZ2C00006484	5,331,265	10.07.2020	27.02.2023	11.30
KZ2C00006484	3,199,946	24.07.2020	27.02.2023	11.06

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25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00006484	6,399,865	30.07.2020	27.02.2023	11.06
KZ2C00006484	5,333,396	07.08.2020	27.02.2023	11.03
KZ2C00006484	10,666,704	21.08.2020	27.02.2023	11.05
KZ2C00006484	2,529,869	28.08.2020	27.02.2023	11.05
KZ2C00006476	5,015,900	10.04.2020	10.04.2025	11.52
KZ2C00006476	6,530,221	15.05.2020	10.04.2025	11.44
KZ2C00006476	3,016,452	22.05.2020	10.04.2025	11.39
KZ2C00006476	5,027,969	05.06.2020	10.04.2025	11.37
KZ2C00006476	3,018,701	19.06.2020	10.04.2025	11.35
KZ2C00006476	3,019,631	26.06.2020	10.04.2025	11.33
KZ2C00006476	5,033,917	10.07.2020	10.04.2025	11.32
KZ2C00006476	504,469	24.07.2020	10.04.2025	11.20
KZ2C00006476	5,045,920	30.07.2020	10.04.2025	11.19
KZ2C00006476	3,033,540	04.09.2020	10.04.2025	11.08
KZ2C00006476	11,120,128	02.10.2020	10.04.2025	11.10
KZ2C00006955	6,743,520	11.09.2020	11.09.2025	11.22
KZ2C00006955	6,742,246	18.09.2020	11.09.2025	11.29
KZ2C00006955	15,422,420	25.09.2020	11.09.2025	11.25
KZ2C00006906	204,701,745	21.10.2020	21.10.2032	11.91
KZ2C00007136	9,284,925	20.11.2020	20.11.2030	11.11
KZ2C00007110	4,842,521	11.12.2020	11.12.2025	11.02
KZ2C00007110	9,695,542	25.12.2020	11.12.2025	10.98
KZ2C00007110	9,299,761	15.01.2021	11.12.2025	10.72
KZ2C00007110	4,466,999	25.11.2022	11.12.2025	17.76
KZ2C00007128	14,211,155	14.12.2020	14.12.2027	11.05
KZ2C00007318	42,381,379	22.01.2021	22.01.2026	10.63
KZ2C00007318	10,614,541	05.02.2021	22.01.2026	10.60
KZ2C00007318	9,458,921	23.09.2022	22.01.2026	15.75
KZ2C00007318	9,458,833	07.10.2022	22.01.2026	15.75
KZ2C00007318	27,181,973	11.11.2022	22.01.2026	17.72
KZ2C00007300	10,792,174	29.01.2021	29.01.2024	10.32
KZ2C00007300	5,399,160	05.02.2021	29.01.2024	10.26
KZ2C00007300	10,805,429	12.02.2021	29.01.2024	10.18
KZ2C00007300	10,814,545	19.02.2021	29.01.2024	10.10
KZ2C00007300	20,579,520	30.09.2022	29.01.2024	15.78
KZ2C00007300	15,433,881	21.10.2022	29.01.2024	15.78
KZ2C00007300	10,147,753	04.11.2022	29.01.2024	17.42
KZ2C00007300	2,638,178	11.11.2022	29.01.2024	17.43
KZ2C00007300	13,191,772	18.11.2022	29.01.2024	17.43
KZ2C00007326	31,340,069	12.02.2021	12.02.2028	10.53

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25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00007326	20,968,139	05.03.2021	12.02.2028	10.42
KZ2C00007334	15,387,063	05.03.2021	05.03.2031	10.47
KZ2C00007573	10,420,264	18.06.2021	18.06.2024	10.10
KZ2C00007516	10,464,234	18.06.2021	18.06.2023	10.01
KZ2C00007581	10,376,048	02.07.2021	02.07.2024	10.14
KZ2C00008019	1,971,559	21.01.2022	21.01.2023	10.48
KZ2C00008019	21,943,142	20.05.2022	21.01.2023	14.55
KZ2C00008001	10,300,360	03.06.2022	03.06.2023	14.93
KZ2C00008001	15,453,176	17.06.2022	03.06.2023	14.89
KZ2C00008001	5,151,463	24.06.2022	03.06.2023	14.87
KZ2C00007995	10,244,840	17.06.2022	17.06.2023	14.93
KZ2C00007995	10,247,303	04.07.2022	17.06.2023	14.86
KZ2C00007995	10,248,604	08.07.2022	17.06.2023	14.84
KZ2C00008670	10,137,541	15.07.2022	15.07.2023	14.87
KZ2C00008670	3,852,568	22.07.2022	15.07.2023	14.88
KZ2C00008670	9,096,252	26.08.2022	15.07.2023	15.48
KZ2C00008670	10,108,260	09.09.2022	15.07.2023	15.47
KZ2C00008688	9,974,625	19.08.2022	19.08.2023	15.44
KZ2C00008688	9,969,041	09.09.2022	19.08.2023	15.54
KZ2C00008688	15,538,269	16.09.2022	19.08.2023	15.54
KZ2C00008696	9,845,366	16.09.2022	16.09.2023	15.84
KZ2C00008696	7,483,666	23.09.2022	16.09.2023	15.81
KZ2C00008696	7,388,059	07.10.2022	16.09.2023	15.75
KZ2C00008696	2,462,688	21.10.2022	16.09.2023	15.75
KZ2C00008696	12,093,814	25.11.2022	16.09.2023	17.32
KZ2C00007524	9,315,618	23.09.2022	23.09.2024	16.08
KZ2C00007532	6,268,159	04.11.2022	04.11.2024	17.58
KZ2C00007532	2,279,596	18.11.2022	04.11.2024	17.59
KZ2C00008704	2,388,515	04.11.2022	04.11.2023	17.36
KZ2C00008704	9,545,265	02.12.2022	04.11.2023	17.46
KZ2C00008704	9,506,019	09.12.2022	04.11.2023	18.01
KZ2C00008704	16,649,811	15.12.2022	04.11.2023	17.94
KZ2C00008712	8,383,562	11.11.2022	11.11.2023	17.35
KZ2C00008712	4,765,742	18.11.2022	11.11.2023	17.26
KZ2C00007540	8,848,873	25.11.2022	25.11.2024	17.76
KZ2C00007557	8,846,901	02.12.2022	02.12.2024	17.55
KZ2C00008910	10,414,210	29.09.2022	29.09.2025	16.26
KZ2C00008910	10,356,290	20.10.2022	29.09.2025	16.53
KZ2C00008910	3,091,884	04.11.2022	29.09.2025	16.76
KZ2C00008910	3,265,010	11.11.2022	29.09.2025	17.27

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25. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00008910	10,193,450	25.11.2022	29.09.2025	17.30
KZ2C00008928	10,170,670	25.11.2022	25.11.2027	17.59
KZ2C00008928	20,279,699	02.12.2022	25.11.2027	17.80
KZ2C00008928	10,108,700	09.12.2022	25.11.2027	18.70
KZ2C00008951	10,171,563	25.11.2022	25.11.2029	17.68
KZ2C00008951	20,267,627	02.12.2022	25.11.2029	17.90
KZ2C00008951	10,058,833	09.12.2022	25.11.2029	18.90
KZ2C00008902	20,275,929	02.12.2022	02.12.2025	14.66
KZ2C00008902	10,114,155	12.12.2022	02.12.2025	19.13
KZ2C00008902	10,114,251	15.12.2022	02.12.2025	19.01
Total for "KSF" JSC	1,179,467,629			
Total	3,424,605,376			

Reconciliation of change in the debt securities issued and cash flows from financing activities

In 2023 and 2022 the change in the debt securities issued is as follows:

	2023 KZT'000
Balance at the beginning of the year	3,424,605,376
Notes issued, paid by cash	32,330,597,237
Remuneration paid	(556,401,643)
Nominal cost repaid	(33,361,101,647)
Total changes in cash flows from financing activities	(1,586,906,053)
Interest accrued	578,643,655
Balance at the end of the year	2,416,342,978

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25. DEBT SECURITIES ISSUED, CONTINUED

Reconciliation of change in the debt securities issued and cash flows from financing activities, continued

	2022 KZT'000
Balance at the beginning of the year	3,062,328,192
Notes issued, paid by cash	18,523,513,261
Nominal cost repaid	(323,969,113)
Redeemed par value	(18,165,968,913)
Total changes in cash flows from financing activities	33,575,235
Interest accrued	328,701,949
Balance at the end of the year	3,424,605,376

26. PROVISIONS

As at 31 December 2023 provisions are as follows:

	2023 KZT'000	2022 KZT'000
Reserve to cover guarantees	56,337,341	57,934,385
Compensation (premiums) on deposits of individuals placed in national currency	-	167,962,452
	56,337,341	225,896,837

An analysis of the change in the provision for guarantees for the years ended 31 December 2023 and 31 December 2022 is presented below:

	2023 KZT'000	2022 KZT'000
Reserve for guarantees as of 1 January	57,934,385	61,130,493
Movement affecting contributions to provisions	(20,104,885)	(10,400,787)
Movement in risk parameters	18,507,841	7,204,679
Movement in the amount of guarantee compensation for deposits	(1,597,044)	(3,196,108)
Total expenses recognised in profit or loss for the year	(1,597,044)	(3,196,108)
Reserve for guarantees as of 31 December	56,337,341	57,934,385
Reserve for guarantees as of 1 January	56,337,341	57,934,385

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. PROVISIONS, CONTINUED

Analysis of reserve for guarantees

The change in the guarantee reserve for 2023 and 2022 is presented as follows:

KZT'000	2023			Total
	Stage 1	Stage 2	Stage 3	
Guarantee reserve				
Balance at 1 January	57,934,385			57,934,385
Net change in reserve	(1,597,044)			(1,597,044)
Balance at 31 December	56,337,341			56,337,341

KZT'000	2022			Total
	Stage 1	Stage 2	Stage 3	
Guarantee reserve				
Balance at 1 January	61,130,493	-	-	61,130,493
Net change in reserve	(3,196,108)	-	-	(3,196,108)
Balance at 31 December	57,934,385	-	-	57,934,385

In 2022 and 2023, there were no guarantee payments to depositors from previously created reserves.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

26. PROVISIONS, CONTINUED**Analysis of reserve for guarantees**

As part of the programme of protection of KZT-denominated deposits, the Management Board of the NBK adopted the Resolution dated 19 December 2022, No.121 “On Certain Issues of Implementation of the Mechanism of Payment of Compensation (Premium) on Deposits of Individuals Placed in National Currency (Tenge)”, where the Management Board of the NBK resolved to approve payment of no more than 50% of total compensation on KZT-denominated deposits of individuals placed with second-tier banks, which met a number of requirements, using the funds intended for monetary operations of the Group.

Assurance of payment of compensations as well as the procedure and conditions of payments were published in mass media and communicated to the second-tier banks, which accepted applications for compensation from their depositors before 1 January 2023. In view of the above and based on information provided by the second-tier banks and Kazakhstan Deposit Insurance Fund Joint Stock Company, a constructive obligation of KZT 167,962,452 thousand was recognised for balances on special accounts of individuals as at 31 December 2022.

During 2023, the obligation created as part of the payment of compensation (premium) on deposits of individuals placed in national currency (tenge) was fulfilled in connection with the transfer of funds in the amount of KZT 153,325,937 thousand to the current account of “KSF” JSC.

The difference between the transferred funds and previously recognised provisions in the amount of KZT 14,636,515 thousand and the returned funds during 2023 in the amount of KZT 4,499 thousand are reflected in the consolidated statement of profit or loss in the item “Other operating income” (Note 7).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

27. OTHER LIABILITIES

	31 December 2023	31 December 2022
	KZT'000	KZT'000
Liabilities to the National Fund	591,657,087	-
Other creditors for non-banking activities	35,508,034	23,543,252
Other creditors for banking activities	1,978,227	1,807,281
Other	399	415
Total other financial liabilities	629,143,747	25,350,948
Salary payable	12,115,890	9,077,892
Tax payable (except for corporate income tax)	2,807,134	1,540,523
Accounts payable for the acquisition of fixed assets	364,894	357,477
Other prepayments received	771,300	230,360
Total other non-financial liabilities	16,059,218	11,206,252
Total other obligations	645,202,965	36,557,200

As at 31 December 2023 other creditors on non-banking activity comprise obligations to pay for the purchase of gold from counterparties in the amount of KZT 22,661,576 thousand, which were settled in January 2023 (31 December 2022: KZT 15,488,421 thousand), and lease liability in the amount of KZT 132,491 thousand (31 December 2022: KZT 1,591,403 thousand).

In accordance with the decision of the Board of the NBK, in 2023, a transaction was carried out to sell 50 percent of the shares of special purpose vehicles (special purpose vehicles) of a portfolio of alternative instruments of gold and foreign exchange assets of the NBK, investing in private capital funds, real estate and hedge funds, to the National fund (hereinafter referred to as the National Fund). The assets received from the National Fund into the portfolio of alternative instruments of gold and foreign exchange assets of the NBK were transferred to the investment portfolio of gold and foreign exchange assets of the NBK.

The difference between the assets received into the investment portfolio of the NBK GFA and the liability to the National Fund amounted to KZT 4,446,163 thousand and was reflected in the consolidated statement of profit or loss in the item "Other operating expenses" Note 8.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

27. OTHER LIABILITIES, CONTINUED

After this transaction, the NBK, being the investment manager of the National Fund, did not lose its control. A 50% share in companies and (or) special purpose partnerships created for investment purposes is recognised as a liability due to the limited life of the companies and (or) special purpose partnerships created for the purpose of investing or repurchasing shares at the request of the shareholder. The liability to the National Fund in the amount of 50% of the net asset value in companies and (or) special purpose partnerships created for the purpose of investing in private equity funds, real estate funds and hedge funds amounted to KZT 591,657,087 thousand as at 31 December 2023 (2022: KZT zero thousand). Non-monetary assets received as of the transaction date amounted to KZT 576,277,714 thousand.

Reconciliation of the liability arising as a result of financial activities: As of 1 January 2023, the liability to the National Fund amounted to zero tenge, in 2023 the increase in the liability not related to cash flow amounted to 591,657,087 thousand tenge. The liability to the National Fund as of 31 December 2023 amounted to 591,657,087 thousand tenge.

28. CHARTER CAPITAL**Charter capital**

The charter capital of the National Bank is regulated by the Edict of the President of the Republic of Kazakhstan dated 30 March 1995 with subsequent amendments. The charter capital of the NBK is owned by the state and is formed in the amount of not less than KZT 20,000,000 thousand.

As at 31 December 2023 and 31 December 2022 the NBK charter capital was KZT 20,000,000 thousand.

Dividends and reserve capital

In accordance with the Law of the Republic of Kazakhstan “On the National Bank of the Republic of Kazakhstan”, the NBK should form a capital reserve in the amount of not less than its charter capital. Reserve capital increased at the expenses of the net retained earnings and assigned exclusively to compensate and reimburse losses incurred on the conducted operations in accordance with the requirements set by the Management Board of the National Bank of Kazakhstan. As at 31 December 2023, the capital reserve was nil (31 December 2022: nil). Dividends were not paid to the state budget.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. CHARTER CAPITAL, CONTINUED

Special guarantee reserve

In accordance with the provisions of the Law of the Republic of Kazakhstan “On the Obligatory Guaranteeing of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan”, in order to carry out activities related to the payment of guarantee compensation, “KDIF” JSC forms a special guarantee reserve from the retained income of “KDIF” JSC. A special guarantee reserve is formed for the purpose of paying guarantee compensation to depositors in the event of forced liquidation of a participating bank.

According to the Law of the Republic of Kazakhstan “On the Obligatory Guaranteeing of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan”, a target amount of a special reserve of an organisation that perform the obligatory guaranteeing of deposits, to be not less than 5% of the amount of all guaranteed deposits in the participating banks.

	31 December 2023	31 December 2022
	KZT'000	KZT'000
Calendar contributions of banks participating in the deposit guarantee system	343,621,372	298,544,312
Amount of compensation made by a liquidation commission of a forcibly liquidated bank	65,057,886	60,085,156
Fines and penalties paid by banks participating in the deposit guarantee system	73,454	66,776
Formation of reserve out of own funds in accordance with the Law	55,600,000	55,600,000
Retained earnings allocated for formation of special guarantee reserve	505,888,158	390,059,414
Special guarantee reserve	970,240,870	804,355,658

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

28. CHARTER CAPITAL, CONTINUED**Special guarantee reserve, continued
Capital management**

Retained earnings are transferred to the charter and (or) reserve capital in the amount determined by the Management Board of the NBK. After the approval of the annual report of the National Bank by the President of the Republic of Kazakhstan the remaining part of the retained earnings is transferred to the State budget with a deferral of one financial year.

If a reserve capital amount is less than the share capital amount, the entire net retained earnings remain at the NBK's disposal and is transferred to the reserve capital until the later reaches the level of the share capital.

29. ANALYSIS BY SEGMENT

The Group's operations comprise a single operating segment for the purposes of these consolidated financial statements in accordance with IFRS 8 Operating Segments. The Group is not required to report revenue and expenses by reference to the functions carried out by the Group, these activities do not constitute separate operating segments for the purposes of these consolidated financial statements.

30. RISK MANAGEMENT**Risk management policies and procedures**

Risk management is fundamental to the Group's activities and is an essential element of the Group operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

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

The Management Board, Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary and investment policies of the NBK and set up limits on the scope of management over its assets and customers' assets, as well as requirements for the credit assessment of the NBK's counterparties.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Risk management policies and procedures, continued**

In accordance with the Investment Strategy on gold currency assets, management of the NBK approved by the Resolution of the Management Board of the NBK on 17 June 2015 No.112 (the “GFCA Investment Strategy”), the main goals of risk management are maintenance of liquidity and safety of the NBK’s assets, and profitability growth in the medium and long-term perspective.

In accordance with the implementation of the goals and functions of the NBK, the gold and foreign exchange assets of the NBK are divided into the following portfolios: liquidity portfolio, investment portfolio, strategic portfolio, gold portfolio, emerging markets portfolio and alternative instruments portfolio, the assessment of the business model is disclosed in Note 2.

Market risk

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

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

Management of GFA (Gold foreign exchange asset) portfolios with the goal of achieving excess returns involves index management in accordance with approved reference portfolios. In order to control the risk of deviation of the actual portfolio from the reference one, the “Tracking Error” indicator used.

At the same time, GFA portfolios include debt instruments exposed to the risk of interest rate changes, which is assessed using the duration indicator.

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

Market risk also includes the risk of changes in interest rates, currency risk and other price risks.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk management, based on an analysis of the timing of interest rate revisions, is complemented by monitoring the sensitivity of financial assets. An analysis of the sensitivity of equity to changes in interest rates (interest rate revision risk), based on a simplified scenario of a parallel shift of yield curves by 100 bps. increases or decreases in interest rates and revised positions on interest-bearing assets effective as of 31 December 2023 and 31 December 2022 can be presented as follows.

Risk of changes in interest rates of the liquidity portfolio of the GFA

The duration of the liquidity portfolio, which includes cash currency and short-term government securities, does not exceed 1 year.

At the same time, at least 70% of the portfolio's assets must consist of cash currency and government debt obligations of countries with a credit rating of at least A- (Standard & Poor's) and/or A3 (Moody's).

	2023		2022	
	Duration	Equity thousand tenge	Duration	Equity thousand tenge
Parallel shift by 100 bps. towards increasing rates	0.07	(2,444,955)	0.16	(6,010,999)
Parallel shift by 100 bps. towards decreasing rates	0.07	2,466,444	0.16	6,053,951

The reference portfolio for the investment portfolio of gold and foreign exchange assets was a composite index consisting of securities included in the broad index of highly liquid government bonds of developed countries (ICE BofA Global Government Index). The reference portfolio of the investment portfolio, including its composition and structure, is determined by the decision of the Governor of the NBK no more than once a year, taking into account the recommendations of the Investment Committee of the NBK.

As at 31 December 2023, in accordance with the decision of the Governor, the benchmark investment portfolio includes government securities with an investment horizon of 1-5 years.

The composite index includes the following currency structure: USD – 62%, EUR – 12.5%, GBP – 12.5%, AUD – 8%, CAD – 5%.

At the same time, the structure of the investment portfolio includes at least 70% of government securities, which confirms the low risk appetite and conservative approach to management.

The duration of the investment portfolio is within +30% / -40% of the duration of the reference portfolio.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Risk of changes in interest rates of the liquidity portfolio of the GFA, continued

	2023		2022	
	Duration	Equity thousand tenge	Duration	Equity thousand tenge
Parallel shift by 100 bps. towards increasing rates	2.54	(38,944,034)	1.31	(9,152,789)
Parallel shift by 100 bps. towards decreasing rates	2.54	41,014,829	1.31	9,364,139
	2023		2022	
	Duration	Gain or loss thousand tenge	Duration	Gain or loss thousand tenge
Parallel shift by 100 bps. towards increasing rates	0.2	(6,933)	0.08	(7,263)
Parallel shift by 100 bps. towards decreasing rates	0.2	6,963	0.08	7,284

Risk of changes in interest rates of the strategic investment portfolio

The benchmark portfolio for the emerging markets bond mandate is an index consisting of securities included in the broad emerging markets bond index (ICE BofA US Emerging Markets External Sovereign Index, ICE BofA Emerging Markets Corporate Plus Index, ICE BofA US Emerging Markets External Debt Sovereign & Corporate Plus Index).

In order to ensure stability and ease of convertibility, the assets of the strategic portfolio are denominated in hard currency.

The reference portfolio for global corporate securities and emerging market bonds mandates, including their composition and structure, is determined by the decision of the Governor of the NBK no more than once a year, taking into account the recommendations of the Investment Committee of the NBK.

As at 31 December 2023, in accordance with the decision of the Governor, the benchmark portfolio of the strategic portfolio includes:

- for the global corporate securities mandate - corporate bonds rated from AAA to BB;

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Risk of changes in interest rates of the strategic investment portfolio, continued

- for the emerging market bonds mandate - 80% government bonds of emerging markets and 20% corporate bonds of emerging markets.

	2023		2022	
	Duration	Equity thousand tenge	Duration	Equity thousand tenge
Parallel shift by 100 bps. towards increasing rates	3.72	(51,496,831)	3.63	(47,459,393)
Parallel shift by 100 bps. towards decreasing rates	3.72	54,371,793	3.63	50,251,538

	2023		2022	
	Duration	Gain or loss thousand tenge	Duration	Gain or loss thousand tenge
Parallel shift by 100 bps. towards increasing rates	2.65	(4,432,805)	2.64	(3,183,557)
Parallel shift by 100 bps. towards decreasing rates	2.65	4,592,368	2.64	3,306,494

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Market risk, continued*****Risk of changes in interest rates of the emerging markets portfolio***

Portfolio assets are invested in instruments with a minimum credit rating of B- (Standard & Poor's)/B3 (Moody's) and higher.

As of 31 December 2023, emerging markets portfolio assets are invested in Chinese bonds.

Market risks of the portfolio of alternative instruments of GFA

The management of the portfolio of alternative instruments (hereinafter – “AI GFA”) is carried out by “NIC” JSC. The purpose of the AI portfolio is to ensure the return on assets in the long term and diversify the portfolio.

A focus on high long-term returns implies a high risk appetite. Thus, the benchmark of the AI GFA portfolio is the reference portfolio, which is a composite index consisting of 80% of the global stock index and 20% of the global bond index. At the same time, the minimum level of long-term return for a portfolio of alternative instruments is carried out using the rolling window method for periods of 5 (five), 10 (ten) and 15 (fifteen) years and is calculated as US Consumer Price Index (CPI YOY) + 3 (three) percent.

The MSCI ACWI Investable Market Net Total Return Index (M1WDIM) is accepted as a global stock index. The global bond index is Bloomberg Global Aggregate Total Return Index Value Hedged USD (LEGATRUH).

Alternative instruments are characterised by low liquidity associated with the specifics of investment. This provides a certain excess return, including one based on the risk premium for illiquidity. At the same time, the specifics of investment affect the process of managing market risks. Unlike public instruments, open positions in private equity, private debt, real estate and infrastructure funds cannot be easily implemented. Also, the investment process involves the acceptance of investment obligations, within the framework of which a capital request is made during the investment period. The frequency of availability of information on revaluation of open positions also varies, and in most cases revaluation is carried out on a quarterly basis.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Market risks of the portfolio of alternative instruments of GFA (3BA)

Accordingly, the Group manages market risk by periodically assessing all existing positions in illiquid sub-portfolios and establishing limits and limits for each of the sub-portfolios. In addition, investment is carried out in accordance with a medium-term investment plan aimed at achieving investment goals. Limits and the investment plan are updated on an annual basis by the Investment Committee and the Board of Directors of “NIC” JSC. As part of updating the investment plan, stress testing of the investment investment portfolio is carried out for fluctuations in fair value and future cash flows.

For liquid sub-portfolios of AI GFA, sub-portfolio of bonds and sub-portfolio of shares, index management is applied in accordance with the indices approved for the reference portfolio. In order to control the risk of deviation of the actual portfolio from the reference portfolio indices, the “Tracking Error” indicator (“Variability of the portfolio return deviation”) is used. Management of liquid sub-portfolios is carried out in order to meet capital requests, as well as to tactically balance the risk profile of the AI GFA portfolio. Which implies the possibility of full implementation of all positions of a sub-portfolio of stocks or bonds. Thus, as of 31 December 2023, the sub-portfolio of shares was fully sold and had no open positions.

The bond sub-portfolio has LEGATRUH as its benchmark. The active risk indicator is 1.31%. The weighted average duration of the portfolio is 6.5 years.

For the purpose of assessing expected losses, the value at risk (VaR) for 1 day is calculated with a probability of 95%.

Scenario analysis based on historical events and simulated scenarios is used to stress test a bond sub-portfolio.

Description	Bond sub-portfolio sensitivity
Historical scenario analysis: 1990-1991 recession	- 1.44%
Historical scenario analysis: 2008 recession	- 1.38%
Modeled acenario: Japanese 10-year rate hike by 200 bps.	-12.58%
Modeled scenario Japanese 10-year rate hike by 50 bps.	-3.14%

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Market risk (“KSF” JSC)*****Interest rate risk***

“KSF” JSC assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margins, but if there is an unexpected change in interest rates, the interest margin may decrease or result in losses.

If at 31 December 2023 interest rates had been 200 basis points higher (2022: 200 basis points higher), with other variables remaining constant, profit for the year would have been KZT 65,598,738 thousand (2022: KZT 66,398,490 thousand) more mainly as a result of higher interest income on assets. Other components of equity would have amounted to KZT 65,598,738 thousand (2022: KZT 66,398,490 thousand) more.

If at 31 December 2023 interest rates had been 200 basis points lower (2022: 200 basis points higher) with other variables remaining constant, profit for the year would have been KZT 65,598,738 thousand (2022: higher KZT 66,398,490 thousand) less mainly as a result of lower interest income on assets. Other components of equity would have been KZT 65,598,738 thousand (2022: KZT 66,398,490 thousand) less.

Market risk (“KDIF” JSC)***Interest rate risk***

“KDIF” JSC assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margins, but if there is an unexpected change in interest rates, the interest margin may decrease or result in losses. Management sets limits on the acceptable level of interest rate mismatch and monitors compliance with the limits on a regular basis.

“KDIF” JSC monitors interest rate risk on a regular basis, using the results of an analysis of changes in interest rates on deposits, repo transactions and changes in yield curves of government securities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk (“KDIF” JSC), continued

Interest rate risk, continued

Currently, the management approach of “KDIF” JSC to limiting interest rate risk is to invest in highly liquid government financial instruments with a fixed interest rate, with the exception of floating rate securities of the European Bank for Reconstruction and Development. The share of financial instruments with floating interest rates is less than ten percent in the total portfolio of financial instruments.

An analysis of the sensitivity of profit or loss and equity (net of tax) to changes in interest rates is presented below (+/- 3% for tenge-denominated instruments):

KZT'000	31 December 2023		31 December 2022	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Investments:				
Net effect on profit or loss	279,673	(279,673)	279,673	(279,673)
Net impact on capital	279,673	(279,673)	279,673	(279,673)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
30. RISK MANAGEMENT, CONTINUED
Market risk, continued
Interest rate risk, continued
Average nominal interest rates

The table below displays average nominal interest rates for interest-bearing assets and liabilities as at 31 December 2023 and 31 December 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2023 Carrying amount KZT'000	Average nominal interest rate, %	31 December 2022 Carrying amount KZT'000	Average nominal interest rate, %
Interest-bearing assets				
Cash and cash equivalents				
<i>Nostro accounts</i>				
- in US dollars	2,057,518,888	5.30	815,235,819	4.30
- in Japanese yen	249,619,528	1.08	-	-
- in rubles	165,479,344	6.00	182,042,086	4.00
- in euro	94,788,189	3.85	513,911,619	1.83
- in pounds sterling	628,022	4.50	4,217,749	2.75
- in other currencies	401,566	0.06	1,204,032	0.78
- in Korean won	414	0.30	434	0.30
<i>Reverse repo transactions</i>				
- in KZT	504,299,189	16.21	273,333,783	17.75
Bank deposits				
- in KZT	16,074,452	14.95	-	-
Gold				
<i>Gold deposits with foreign banks</i>	1,145,042,452	0.30	419,589,510	0.32
Loans and deposits with banks and other financial institutions				
<i>Loans and deposits with banks</i>				
- in KZT	1,451,192,835	5.51	1,377,771,572	5.46

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average nominal interest rates, continued

	31 December 2023 Carrying amount KZT'000	Average nominal interest rate, %	31 December 2022 Carrying amount KZT'000	Average nominal interest rate, %
Financial instruments at fair value through profit or loss				
- USD	758,025	11.00	717,390	11.00
Investment securities measured at fair value through other comprehensive income				
- in US dollars	2,537,022,454	4.38	3,023,855,005	3.70
- in tenge	1,479,794,237	9.04	444,783,449	10.32
- in euros	366,958,737	2.79	271,851,660	1.74
- in pounds sterling	179,316,738	3.66	114,506,628	2.34
- in Canadian dollars	99,470,724	4.03	65,973,439	2.69
- in Australian dollars	92,980,663	3.84	57,743,922	2.16
- in Japanese yen	46,520,211	0.62	14,687,218	1.36
- in Swiss francs	2,653,101	1.25	2,449,863	1.25

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average nominal interest rates, continued

	31 December 2023		31 December 2022	
	Carrying amount	Average nominal	Carrying amount	Average nominal
	KZT'000	interest rate, %	KZT'000	interest rate, %
Investment securities measured at amortised cost				
- in KZT	196,259,288	8.60	1,302,459,850	9.00
- in CNY	101,463,388	2.73	103,433,264	2.84
- in US dollars	138,165	3.23	141,484	3.20
Other assets				
- in KZT	1,135,590,688	8.20	1,064,823,652	8.49
Interest-bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- in US dollars	1,160,959,267	4.91	2,887,178,020	4.24
- in KZT	4,370,504,085	15.31	2,106,504,067	16.17
<i>Loans</i>				
- in US dollars	5,027,735	4.00	-	-
Repurchase agreements				
- in KZT	6,294,517	14.75	6,058,903	15.75
Unified Treasury Account				
- in KZT	1,931,097,223	0.25	1,641,506,949	0.25
Debt securities issued				
- in KZT	2,416,342,978	13.86	3,424,605,376	14.71

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Market risk, continued*****Interest rate risk, continued******Interest rate sensitivity analysis, continued***

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action, while maintaining all restrictions and limits provided for by Investment Strategy of Gold and Foreign Exchange Reserves of the NBK and other safeguards against decrease in assets value. Consequently, a change in the assumptions may not have any actual impact on the liabilities and significant impact on the assets carried at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies and gold.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency and gold exchange rates. The Group does not hedge its exposure to currency risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

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

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
ASSETS									
Cash on hand in foreign currency	522,784,552	-	2,291,151,060	189,303,809	249,625,869	8,965,641	33,711,725	301,648,328	3,597,190,984
Gold on deposits and accounts in foreign banks	-	2,145,296,495	-	-	-	-	-	-	2,145,296,495
Gold bullion in vaults of NBK and foreign banks	-	6,828,455,954	-	-	-	-	-	-	6,828,455,954
Loans and deposits with banks and other financial institutions	1,461,082,117	-	47,038,072	7,641,980	634,299	706,473,408	1,151,081	5,640,369	2,229,661,326
Financial instruments at fair value through profit or loss	276,834	-	1,199,036,736	390,326	125,709	-	257,761	417,003	1,200,504,369
Investment securities measured at fair value through other comprehensive income	2,284,301,674	-	2,537,401,834	366,958,737	46,520,211	-	179,316,738	195,104,488	5,609,603,682
Investment securities measured at amortised cost	196,259,288	-	138,165	-	-	-	-	101,463,388	297,860,841
Investments in associates	12,617,439	-	-	-	-	-	-	-	12,617,439
Other financial assets	1,151,882,042	-	-	32,646	-	-	-	-	1,151,914,688
Total financial assets and gold	5,629,203,946	8,973,752,449	6,074,765,867	564,327,498	296,906,088	715,439,049	214,437,305	604,273,576	23,073,105,778

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued
Currency risk, continued

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	4,110,361,072	-	-	-	-	-	-	-	4,110,361,072
Deposits and balances from banks and other financial institutions	5,533,720,448	-	1,435,821,808	176,291,919	199,165,486	585,612,421	26,525,573	272,439,438	8,229,577,093
Financial instruments at fair value through profit or loss	37,327	-	1,545,323	151,141	-	-	29,594	848,531	2,611,916
Repurchase agreements	6,294,517	-	-	-	-	-	-	-	6,294,517
Current accounts of the National Fund of the Republic of Kazakhstan	133,146,046	-	-	-	-	-	-	-	133,146,046
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,931,097,223	-	985,929	-	-	-	-	776,242	1,932,859,394
Customer accounts	368,602,194	-	127,552	4,273	-	-	7	84	368,734,110
Debt securities issued	2,416,342,978	-	-	-	-	-	-	-	2,416,342,978
Provisions	56,337,341	-	-	-	-	-	-	-	56,337,341
Other financial liabilities	627,174,727	-	1,968,621	399	-	-	-	-	629,143,747
Total financial liabilities	15,183,113,873	-	1,440,449,233	176,447,732	199,165,486	585,612,421	26,555,174	274,064,295	17,885,408,214
Net position	(9,553,909,927)	8,973,752,449	4,634,316,634	387,879,766	97,740,602	129,826,628	187,882,131	330,209,281	5,187,697,564
The effect of derivatives held for risk management purposes	(115,950,127)	-	149,568,787	16,920,165	(42,267,250)	-	(1,844,710)	(6,426,865)	-
Net position after derivatives held for risk management purposes	(9,669,860,054)	8,973,752,449	4,783,885,421	404,799,931	55,473,352	129,826,628	186,037,421	323,782,416	5,187,697,564

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

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

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
ASSETS									
Cash and cash equivalents	274,420,466		1,039,722,229	516,042,962	346,340,287	4,680,290	5,937,198	293,577,582	2,480,721,014
Gold on deposits and accounts in foreign banks	-	1,341,065,933							1,341,065,933
Gold bullion in vaults of NBK and foreign banks	-	8,184,472,296	-	-	-	-	-	-	8,184,472,296
Loans and deposits with banks and other financial institutions	1,382,724,893	-	42,538,946	16,273,717	1,885,330	713,238,464	5,174,918	2,926,208	2,164,762,476
Financial instruments at fair value through profit or loss	-	-	1,108,764,150	390,418	433,560	-	112,691	537,132	1,110,237,951
Investment securities measured at fair value through other comprehensive income	986,750,969	-	3,025,901,291	288,325,422	16,791,366	-	114,506,628	126,167,224	4,558,442,900
Investment securities measured at amortised cost	1,302,459,850	-	141,484	-	-	-	-	103,433,264	1,406,034,598
Investments in associates	9,381,975	-	-	-	-	-	-	-	9,381,975
Other financial assets	1,082,805,031	-	-	9,127	-	-	2,985	-	1,082,817,143
Total financial assets	5,038,543,184	9,525,538,229	5,217,068,100	821,041,646	365,450,543	717,918,754	125,734,420	526,641,410	22,337,936,286

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued Currency risk, continued

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	3,824,305,306	-	-	-	-	-	-	-	3,824,305,306
Deposits and balances from banks and other financial institutions	3,057,050,030	-	3,716,203,770	291,732,454	346,193,865	591,220,135	4,026,445	258,631,867	8,265,058,566
Financial instruments at fair value through profit or loss	10,168	-	612,530	871,080	10,082	-	177,968	89,112	1,770,940
Repurchase agreements	6,058,903	-	-	-	-	-	-	-	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	118,615,388	-	-	-	-	-	-	-	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,641,506,949	-	1,178,674	170,381,652	-	-	-	2,600,420	1,815,667,695
Customer accounts	335,214,384	-	217,951	310	-	-	7	6,470	335,439,122
Debt securities issued	3,424,605,376	-	-	-	-	-	-	-	3,424,605,376
Provisions	225,896,837	-	-	-	-	-	-	-	225,896,837
Other financial liabilities	20,671,435	-	4,679,058	455	-	-	-	-	25,350,948
Total financial liabilities	12,653,934,776	-	3,722,891,983	462,985,951	346,203,947	591,220,135	4,204,420	261,327,869	18,042,769,081
Net position	(7,615,391,592)	9,525,538,229	1,494,176,117	358,055,695	19,246,596	126,698,619	121,530,000	265,313,541	4,295,167,205
The effect of derivatives held for risk management purposes	78,394,202	-	(71,783,571)	4,395,976	2,945,422	-	(4,935,742)	(9,016,287)	-
Net position after derivatives held for risk management purposes	(7,536,997,390)	9,525,538,229	1,422,392,546	362,451,671	22,192,018	126,698,619	116,594,258	256,297,254	4,295,167,205

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

The Group's management believes that, as of 31 December 2023, given the current economic situation in the Republic of Kazakhstan, a 5% fluctuation in the tenge:US dollar exchange rate is a realistic exchange rate corridor. The sensitivity analysis includes only period-end amounts for currency positions that are converted at period-end using the rates specified by each currency's appreciation and depreciation scenarios relative to prevailing exchange rates as of 31 December 2023.

A decline in the exchange rate of the Tenge, as set out in the following table, against the following currencies as of 31 December 2023 and 31 December 2022 would have caused the increase (decrease) in capital described below. This analysis is based on changes in exchange rates that are reasonably possible in the Group's opinion at the end of the reporting period. The analysis assumes that all other variables, especially interest rates, remain constant.

	31 December Equity 2023 KZT'000	31 December Equity 2022 KZT'000
	(+5%/-5%)	(+5%/-5%)
appreciation of USD against KZT	239,194,271	71,119,627
depreciation of USD against KZT	(239,194,271)	(71,119,627)
appreciation of EUR against KZT	20,239,997	18,122,584
depreciation of EUR against KZT	(20,239,997)	(18,122,584)
appreciation of a troy ounce of gold against KZT	448,687,622	476,276,911
depreciation of a troy ounce of gold against KZT	(448,687,622)	(476,276,911)
appreciation of JPY against KZT	2,773,668	1,109,601
depreciation of JPY against KZT	(2,773,668)	(1,109,601)
appreciation of GBP against KZT	9,301,871	5,829,713
depreciation of GBP against KZT	(9,301,871)	(5,829,713)
appreciation of SDR against KZT	6,491,331	6,334,931
depreciation of SDR against KZT	(6,491,331)	(6,334,931)
appreciation of other currencies against KZT	16,189,121	12,814,863
depreciation of other currencies against KZT	(16,189,121)	(12,814,863)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change of value of fixed-income financial instruments in a key assumption for change in KZT exchange rate, while other assumptions remain unchanged. In effect, a correlation may exist between the factors, for which the assumption is made, and other factors not accounted for in the analysis. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations of the sensitivity analysis include application of hypothetical movements in the market with the purpose of disclosure of the potential risks, which represent only expectations of the Group of the future changes in the market which cannot be predicted with sufficient level of assurance. A further limitation is the assumption that all interest rates change identically.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of the sensitivity of net profit or loss and equity to changes in securities prices (based on positions in force as of 31 December 2023 and 31 December 2022, and a simplified scenario of a 5% decline or increase in the prices of all securities) can be presented as follows:

	2023		2022	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
A 5% increase in securities prices	59,922,743	93,460,669	55,398,896	82,599,587
A 5% decrease in securities prices	(59,922,743)	(93,460,669)	(55,398,896)	(82,599,587)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Credit risk**

Credit risk is the risk of financial loss to the Group if a borrower, issuer and/or counterparty to a financial instrument fails to meet its contractual obligations. The Group 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 implementing recommendations of the Investment Committee, and the Risk Committee, which are responsible for developing investment decisions. The credit risk management policy is reviewed and approved by the Management Board.

The NBK's credit risk management policy establishes:

- a methodology for credit assessment calculation and determination of maximum risk limits on the NBK's counterparties, clearing brokers and custodians.
- procedures for ongoing monitoring and review of the risk limit of the Group's counterparties, clearing brokers and custodians.

The Department of Monetary Operations, based on a financial performance and financial position ratios analysis with use of international rating agencies' data, prepares information about new counterparties proposed to be included in the list of approved counterparties of the NBK. The Investment Committee approves a new counterparty on the basis of this report.

The Department of Monetary Operations of the NBK exercises daily monitoring of compliance with limits imposed on each individual counterparty, clearing broker and custodian. In addition to individual counterparty analysis, the Department of Monetary Operations monitors compliance of the credit ratings of financial instruments with the established limits.

Credit risk ("KSF" JSC)

Credit risk is the single most significant risk for the business of "KSF" JSC. Consequently, management pays special attention to credit risk management.

Assessing credit risk for risk management purposes is complex and requires the use of models as risk changes with market conditions, expected cash flows and over time. Assessing the credit risk of a portfolio of assets requires additional assessments regarding the probability of default, associated loss ratios and the correlation of defaults between counterparties.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Credit risk (“KSF” JSC), continued**

In order to assess credit risk and classify financial instruments according to the level of credit risk, “KSF” JSC uses an assessment of risk levels based on the rating systems of external international rating agencies (Standard & Poor's "S&P", Fitch, Moody's). External ratings are assigned to counterparties by independent international rating agencies such as S&P, Moody's and Fitch. These ratings and associated probability of default ranges apply to the following financial instruments: cash and cash equivalents, deposits at amortised cost, investments in debt securities, long-term receivables and other financial assets.

Credit risk (“KDIF”)

Assessing credit risk for risk management purposes is complex and requires the use of models as risk changes with market conditions, expected cash flows and over time. Assessing the credit risk of a portfolio of assets and guarantee agreements requires additional assessments regarding the probability of default, associated loss ratios and the correlation of defaults between counterparties.

“KDIF” JSC estimates expected credit losses associated with debt instruments measured at amortized cost and fair value through other comprehensive income. Financial assets placed in securities and funds in banks contain financial assets of counterparties, to which external ratings are assigned by international rating agencies (Fitch Ratings, Moody's Investors Service, Standard & Poor's).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Credit risk

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

	31 December 2023 KZT'000	31 December 2022 KZT'000
ASSETS		
Cash and cash equivalents		
Nostro accounts with foreign and Kazakh banks	2,938,999,854	2,076,659,331
Reverse repurchase transactions and deposits with foreign banks with an original maturity of less than three months	520,338,103	274,113,113
Cash in foreign currencies on hand	137,853,027	129,948,570
Gold		
Gold on accounts and deposits with foreign banks	2,145,296,495	1,341,065,933
Loans and deposits with banks and other financial institutions		
Other accounts with foreign banks and financial institutions	768,579,209	782,037,582
Deposits with banks	85,528,640	94,226,012
Loans originated	1,365,664,195	1,283,545,560
Receivables from other financial institutions	9,889,282	4,953,322
Financial instruments at fair value through profit or loss		
Derivative assets	2,049,506	2,260,023
Hedge funds	270,668,196	239,088,677
Private equity funds	814,812,176	785,919,977
Real estate fund	82,309,027	65,902,980
Investments in other funds	30,665,464	17,066,293
Investment securities measured at fair value through other comprehensive income		
Government bonds of foreign issuers	2,310,557,833	2,774,241,945
Corporate bonds of international companies	910,933,998	656,219,857
Bonds of international government and non-government financial organisations	309,315,799	139,183,844
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	1,296,706,369	444,783,449
Corporate bonds of Kazakhstani issuers	111,331,167	-
Corporate shares	670,758,516	544,013,806
Investment securities valued at amortised cost		
Investments in securities of foreign issuers	101,463,388	157,943,803
Investments in securities of Kazakhstani issuers	196,397,453	1,248,090,795
Other financial assets		
Claims on repurchased loans	1,130,114,028	1,064,083,212
Other receivables	21,800,660	18,733,931
LIABILITIES		
Contingent liabilities	365,694,424	385,100,180
Total maximum risk level	16,597,726,809	14,529,182,195

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Credit risk, continued****Credit risk of the liquidity portfolio of the GFA**

In order to reduce credit risks, investment of the liquidity portfolio of the GFA is carried out in financial instruments with the determination of a minimum credit rating from international rating agencies.

Liquidity portfolio assets are invested in cash currency, government (sovereign) debt obligations of countries with a credit rating of at least A- (Standard & Poor's) and/or A3 (Moody's), agency debt obligations, debt obligations of international financial organisations with a credit rating of at least AAA (Standard & Poor's) and/or Aaa (Moody's), regional (municipal) debt obligations of countries with a credit rating of at least A- (Standard & Poor's) and/or A3 (Moody's), debt obligations of the Bank for International Settlements), certificates of deposit (CD), commercial paper (CP) with short-term credit ratings of at least A-1 (Standard & Poor's) and/or P-1 (Moody's), deposits, forward transactions in freely convertible currencies with a maturity of up to 1 (one) month as part of hedging foreign currency obligations.

Credit risk of the GFA investment portfolio

The minimum credit rating of the investment portfolio assets corresponds to the level A- (Standard & Poor's)/ A3 (Moody's) or a similar credit rating of other international rating agencies. If there are two or more credit ratings for the assets of the investment portfolio, the minimum credit rating is determined as the lowest of them.

Credit risk of the GFA strategic portfolio

The minimum credit rating of the assets of the strategic portfolio, with the exception of shares, corresponds to the level of BB (Standard & Poor's)/Ba2 (Moody's) or a similar credit rating of other international rating agencies. If there are two or more credit ratings for strategic portfolio assets, the minimum credit rating is determined as the lowest of them.

The share of securities in the corporate bond portfolio with a credit rating of BB (Standard & Poor's)/Ba2 (Moody's) or a similar credit rating of other international rating agencies does not exceed the share of securities with a credit rating of BB (Standard & Poor's)/Ba2 (Moody's) in the reference portfolio for the global corporate securities mandate by more than one 1 percent.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Credit risk, continued****Credit risk of the emerging markets portfolio**

Portfolio assets are invested in instruments with a minimum credit rating of B- (Standard & Poor's/B3 (Moody's) and higher.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 13, 14, 15, 17 and 18.

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 Group's consolidated 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 consolidated statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Offsetting financial assets and financial liabilities, continued**

The Group'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 NBK's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by global master repurchase agreement (ISMA) or subject to eligibility criteria for Kazakhstan Stock Exchange membership.

The previously identified International Swap and Derivatives Dealers Association (ISDA) master agreements and similar master netting agreements do not meet the criteria for netting in the consolidated statement of financial position. The reason is that they create a right of set-off of recognised amounts that is only enforceable in the event of default, insolvency or bankruptcy of the Group or its counterparties. In addition, the Group and its counterparties do not intend to settle the debt by offset or to realise the asset and settle the liability simultaneously.

The Group provides and accepts collateral in the form of marketable securities in respect of repos and reverse repos.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

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

KZT'000 Types of financial assets/financial liabilities	Gross amounts of recognised financial assets/financial liabilities	Gross amounts of recognised financial assets/financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Reverse repurchase agreements	504,299,189	-	504,299,189	(503,761,088)	-	538,101
Financial instruments measured at fair value through profit or loss	2,049,506	-	2,049,506	(2,049,506)	-	-
Investment securities measured at fair value through other comprehensive income	6,007,596	-	6,007,596	(6,007,596)	-	-
Total financial assets	512,356,291	-	512,356,291	(511,818,190)	-	538,101
Financial instruments measured at fair value through profit or loss	(2,611,916)	-	(2,611,916)	2,611,916	-	-
Repurchase agreements	(6,294,517)	-	(6,294,517)	6,007,596	-	(286,921)
Total financial liabilities	(8,906,433)	-	(8,906,433)	8,619,512	-	(286,921)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

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

KZT'000 Types of financial assets/financial liabilities	Gross amounts of recognised financial assets/financial liabilities	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets/financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Reverse repurchase agreements	273,333,783	-	273,333,783	(273,067,981)	-	265,802
Financial instruments measured at fair value through profit or loss	2,260,023	-	2,260,023	(2,260,023)	-	-
Investment securities measured at fair value through other comprehensive income	5,775,086	-	5,775,086	(5,775,086)	-	-
Total financial assets	281,368,892	-	281,368,892	(281,103,090)	-	265,802
Financial instruments measured at fair value through profit or loss	(1,770,940)	-	(1,770,940)	1,770,940	-	-
Repurchase agreements	(6,058,903)	-	(6,058,903)	5,775,086	-	(283,817)
Total financial liabilities	(7,829,843)	-	(7,829,843)	7,546,026	-	(283,817)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

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

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements – at amortised cost.

The table below reconciles the net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2023.

Types of financial assets/financial liabilities	Net amount KZT'000	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position KZT'000	Financial asset/financial liability not in the scope of offsetting disclosure KZT'000	Note
Reverse repurchase agreements	504,299,189	Cash and cash equivalents	504,299,189	-	13
Financial instruments measured at fair value through profit or loss	2,049,506	Financial instruments measured at fair value through profit or loss	1,200,504,369	1,198,454,863	16
Investment securities measured at fair value through other comprehensive income	6,007,596	Investment securities measured at fair value through other comprehensive income	5,609,603,682	5,603,596,086	17
Financial instruments measured at fair value through profit or loss	(2,611,916)	Financial instruments measured at fair value through profit or loss	(2,611,916)	-	16
Repurchase agreements	(6,294,517)	Repurchase agreements	(6,294,517)	-	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Offsetting financial assets and financial liabilities, continued

The table below reconciles the net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2022.

Types of financial assets/financial liabilities	Net amount KZT'000	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position KZT'000	Financial asset/financial liability not in the scope of offsetting disclosure KZT'000	Note
Reverse repurchase agreements	273,333,783	Reverse repurchase agreements	273,333,783	-	13
Financial instruments measured at fair value through profit or loss	2,260,023	Financial instruments measured at fair value through profit or loss	1,110,237,951	1,107,977,928	16
Investment securities measured at fair value through other comprehensive income	5,775,086	Investment securities measured at fair value through other comprehensive income	4,558,442,900	4,552,667,814	17
Financial instruments measured at fair value through profit or loss	(1,770,940)	Financial instruments measured at fair value through profit or loss	(1,770,940)	-	16
Repurchase agreements	(6,058,903)	Repurchase agreements	(6,058,903)	-	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Liquidity risk**

Liquidity risk is the risk that Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. 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 Group 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 liquidity policy is reviewed and approved by the Management Board.

Since the NBK carries out the issue of national currency, the default risk on fulfilment its obligations in national currency is minimal, and the liquidity risk is more applicable for obligations denominated in foreign currency.

The following tables show the undiscounted cash flows on 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 flow on the financial liabilities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2023 is as follows:

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross inflow (outflow)	Carrying amount
Non-derivative financial liabilities							
Cash in circulation	4,110,361,072	-	-		-	4,110,361,072	4,110,361,072
Deposits and balances from banks and other financial institutions	7,913,987,900	872,164	263,316,969	49,724,945	5,027,735	8,232,929,713	8,229,577,093
Repurchase agreements	6,299,590	-	-	-	-	6,299,590	6,294,517
Current accounts of the National Fund of the Republic of Kazakhstan	133,146,046	-	-	-	-	133,146,046	133,146,046
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,932,872,621	-	-	-	-	1,932,872,621	1,932,859,394
Customer accounts	368,734,110	-	-	-	-	368,734,110	368,734,110
Debt securities issued	1,311,569,540	85,405,243	10,949,169	140,589,294	1,423,199,071	2,971,712,317	2,416,342,978
Other financial liabilities	629,143,747	-	-	-	-	629,143,747	629,143,747
Derivative liabilities							
- Inflow	(134,903,318)	(69,063,360)	-	-	-	(203,966,678)	-
- Outflow	135,323,675	71,180,266	-	-	-	206,503,941	2,611,916
Total financial liabilities	16,406,534,983	88,394,313	274,266,138	190,314,239	1,428,226,806	18,387,736,479	17,829,070,873
Credit related commitments	365,694,424	-	-	-	-	365,694,424	365,694,424

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2022 is as follows:

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross inflow (outflow)	Carrying amount
Non-derivative financial liabilities							
Cash in circulation	3,824,305,306	-	-	-	-	3,824,305,306	3,824,305,306
Deposits and balances from banks and other financial institutions	7,519,897,868	760,065,644	-	-	-	8,279,963,512	8,265,058,566
Repurchase agreements	6,066,740	-	-	-	-	6,066,740	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	118,615,388	-	-	-	-	118,615,388	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,816,016,270	-	-	-	-	1,816,016,270	1,815,667,695
Customer accounts	335,439,122	-	-	-	-	335,439,122	335,439,122
Debt securities issued	2,289,934,677	112,356,165	99,469,747	242,076,668	811,283,521	3,555,120,778	3,424,605,376
Provisions	-	167,962,452	-	-	-	167,962,452	167,962,452
Other financial liabilities	25,350,948	-	-	-	-	25,350,948	25,350,948
Derivative liabilities							
- Inflow	(83,090,222)	(93,832,680)	-	-	-	(176,922,902)	-
- Outflow	83,159,881	95,533,961	-	-	-	178,693,842	1,770,940
Total financial liabilities	15,935,695,978	1,042,085,542	99,469,747	242,076,668	811,283,521	18,130,611,456	17,984,834,696
Credit related commitments	385,100,180	-	-	-	-	385,100,180	385,100,180

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RISK MANAGEMENT, CONTINUED**Liquidity risk, continued**

The nominal pre-tax cash flow outflows (inflows) presented in the earlier tables represent the contractual undiscounted cash flows of the derivative liabilities used to manage risk. The data presented reflects the net value of derivatives that are settled on a net basis and the inflows and outflows of cash flows for derivative obligations that are settled in full amounts at a time (for example, foreign exchange forward contracts and foreign exchange swaps).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

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

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash on hand in foreign currency	3,597,190,984	-	-	-	-	-	3,597,190,984
Gold on deposits and accounts in foreign banks	1,000,254,043	-	1,145,042,452	-	-	-	2,145,296,495
Gold bullion in vaults of NBK and foreign banks	-	-	-	-	-	6,828,455,954	6,828,455,954
Loans and deposits with banks and other financial institutions	778,468,491	-	177,226,811	96,799,692	1,177,166,332	-	2,229,661,326
Financial instruments at fair value through profit or loss	924,743	1,124,763	-	-	-	1,198,454,863	1,200,504,369
Investment securities measured at fair value through other comprehensive income	44,442,521	94,510,293	851,154,595	2,386,321,669	1,545,492,357	687,682,247	5,609,603,682
Investment securities measured at amortised cost	9,505,968	-	22,190,176	62,246,904	203,917,793	-	297,860,841
Investments in associates	-	-	-	-	-	12,617,439	12,617,439
Other financial assets	21,613,688	8,250,869	38,218,820	237,660,783	846,170,528	-	1,151,914,688
Total assets	5,452,400,438	103,885,925	2,233,832,854	2,783,029,048	3,772,747,010	8,727,210,503	23,073,105,778

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
LIABILITIES							
Currency in circulation	4,110,361,072	-	-	-	-	-	4,110,361,072
Deposits and balances from banks and other financial institutions	7,912,443,898	263,555,287	48,107,567	-	-	5,470,341	8,229,577,093
Financial instruments at fair value through profit or loss	495,011	2,116,905	-	-	-	-	2,611,916
Repurchase agreements	6,294,517	-	-	-	-	-	6,294,517
Current accounts of the National Fund of the Republic of Kazakhstan	133,146,046	-	-	-	-	-	133,146,046
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,932,859,394	-	-	-	-	-	1,932,859,394
Customer accounts	368,734,110	-	-	-	-	-	368,734,110
Debt securities issued	1,306,017,070	83,397,441	138,162,770	574,701,028	314,064,669	-	2,416,342,978
Provisions	56,337,341	-	-	-	-	-	56,337,341
Other financial liabilities	629,143,747	-	-	-	-	-	629,143,747
Total liabilities	16,455,832,206	349,069,633	186,270,337	574,701,028	314,064,669	5,470,341	17,885,408,214
Net position	(11,003,431,768)	(245,183,708)	2,047,562,517	2,208,328,020	3,458,682,341	8,721,740,162	5,187,697,564

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

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

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	2,480,721,014	-	-	-	-	-	2,480,721,014
Gold on deposits and accounts in foreign banks	921,476,423	-	419,589,510	-	-	-	1,341,065,933
Gold bullion in vaults of NBK and foreign banks	-	-	-	-	-	8,184,472,296	8,184,472,296
Loans and deposits with banks and other financial institutions	786,990,904	-	-	259,887,621	1,117,883,951	-	2,164,762,476
Financial instruments at fair value through profit or loss	801,911	1,458,112	-	-	-	1,107,977,928	1,110,237,951
Investment securities measured at fair value through other comprehensive income	4,331,154	466,169,106	1,363,336,688	1,457,283,248	723,308,898	544,013,806	4,558,442,900
Investment securities measured at amortised cost	4,957,527	1,361,924	89,356,204	396,712,685	913,646,258	-	1,406,034,598
Investments in associates	-	-	-	-	-	9,381,975	9,381,975
Other financial assets	14,877,812	7,346,867	34,157,557	215,862,543	810,572,364	-	1,082,817,143
Total assets	4,214,156,745	476,336,009	1,906,439,959	2,329,746,097	3,565,411,471	9,845,846,005	22,337,936,286

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

KZT'000	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
LIABILITIES							
Cash in circulation	3,824,305,306	-	-	-	-	-	3,824,305,306
Deposits and balances from banks and other financial institutions	7,508,149,252	756,458,779	-	-	-	450,535	8,265,058,566
Financial instruments at fair value through profit or loss	69,659	1,701,281	-	-	-	-	1,770,940
Repurchase agreements	6,058,903	-	-	-	-	-	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	118,615,388	-	-	-	-	-	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,815,667,695	-	-	-	-	-	1,815,667,695
Customer accounts	335,439,122	-	-	-	-	-	335,439,122
Debt securities issued	2,269,052,448	106,645,143	231,299,042	495,428,777	322,179,966	-	3,424,605,376
Provisions	57,934,385	-	167,962,452	-	-	-	225,896,837
Other financial liabilities	25,350,948	-	-	-	-	-	25,350,948
Total liabilities	15,960,643,106	864,805,203	399,261,494	495,428,777	322,179,966	450,535	18,042,769,081
Net position	(11,746,486,361)	(388,469,194)	1,507,178,465	1,834,317,320	3,243,231,505	9,845,395,470	4,295,167,205

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

31. CREDIT RELATED COMMITMENTS

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

The NBK issues financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally have a validity period of up to five years.

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

	31 December 2023 KZT'000	31 December 2022 KZT'000
Contracted amount		
Investment commitments	354,682,424	374,055,808
Loan and credit line commitments	11,000,000	11,000,000
Guarantees and letters of credit	12,000	44,372
	365,694,424	385,100,180

Commitments to provide loans and lines of credit and guarantees and letters of credit relate to Stage 1 of credit risk.

“NIC NBK” JSC implements the programme of investments in alternative classes of assets through a special purpose vehicles and/or special purpose partnerships. As at 31 December 2023, they have payment liabilities to private equity funds and real estate funds of KZT 354,682,424 thousand (at 31 December 2022: KZT 374,055,808 thousand). These credit related commitments can be changed.

Many of these credit contingencies may terminate without being partially or fully discharged. As a result, the contractual credit related commitments identified previously do not represent expected cash outflows.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

32. CONTINGENCIES**Insurance**

The insurance market in the Republic of Kazakhstan is at a development stage, therefore many forms of insurance protection used in other countries are not yet available in the Republic of Kazakhstan. The Group does not maintain full coverage for buildings and equipment, business interruption or third party liability in respect of property or environmental damage arising from the use of the Group's property or otherwise relating to the Group's activities. Until the Group has adequately insured its operations, there is a risk that losses incurred or the loss of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

Management is not aware of any significant actual or pending legal proceedings or potential claims that may be brought against the Group.

Taxation contingencies

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. 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

33. FUNDS MANAGEMENT, TRUST AND CUSTODY ACTIVITIES**Funds management and trust activities**

The NBK provides trust and asset management services to trust companies, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer.

The NBK receives fee income for providing these services. Trust assets are not assets of the NBK and are not recognised in the consolidated statement of financial position. The NBK is not exposed to any credit risk related to such placements, as it does not guarantee these investments.

As at 31 December 2023, the total amount of assets that the NBK holds and manages for related organisations is KZT 3,800,751,060 thousand (31 December 2022: KZT 3,706,108,915 thousand).

As at 31 December 2023, the amount of the National Fund's net assets that the NBK holds and manages is KZT 29,854,109,972 thousand (31 December 2022: KZT 26,774,885,713 thousand). A portion of these funds is managed by external managers in accordance with the investment policies set by the NBK.

Custody activities

During 2023 and 2022, the NBK provided custody services to "UAPF" JSC. As at 31 December 2023, the total assets of "UAPF" JSC under the custodial service of the National Bank amounted to KZT 17,806,034,228 thousand (31 December 2022: KZT 14,621,893,336 thousand).

Assets of depositors

On 26 November 2012, the NBK acquired shares of "Central Securities Depository" JSC (the "Central Depository"), which provides accounting for financial instruments and money of their clients. Accounting for financial instruments and money of the Central Depository's clients is performed separately from its own financial instruments and money on off-balance sheet accounts.

As at 31 December 2023, the total amount of financial instruments and money in nominal holding and bank accounts of depositors with the Central Depository is KZT 126,868,367,903 thousand (31 December 2022: KZT 111,523,275,627 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

34. RELATED PARTY TRANSACTIONS**Transactions with members of the Board of Directors and Management Board**

Total remuneration for members of the NBK's Management Board and Board of Directors for the year ended 31 December 2023 was KZT 1,378,653 thousand (2022: KZT 949,468 thousand). The remuneration consists of salary and other payments.

Transactions with other related parties

The Group decided to apply an exemption from disclosure of information on individually immaterial transactions and balances with the government and its related parties (Note 33).

Transactions with related parties include trust management and custodial services to government entities (Note 33).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. RELATED PARTY TRANSACTIONS

Transactions with other related parties, continued

The outstanding balances and average nominal interest rates as at 31 December 2023 and 31 December 2022 and related profit or loss amounts of transactions for the years then ended with other related parties are as follows:

	State companies and organisations			
	31 December 2023		31 December 2022	
	KZT'000	Average nominal interest rates, %	KZT'000	Average nominal interest rates, %
Consolidated statement of financial position				
ASSETS				
Reverse repurchase agreements	504,299,189	16.40	273,333,783	17.75
Gold	105,243,900	-	45,285,338	-
Loans and deposits with banks and other financial institutions	947,141,228	5.61	901,471,884	5.63
Financial instruments measured at fair value through profit or loss	30,665,464	-	17,066,293	-
Investment securities measured at fair value through other comprehensive income:				
Equity securities	670,379,136	-	541,967,520	-
Debt securities	1,408,037,536	9.26	444,783,449	10.32
Investment securities measured at amortised cost	194,786,094	8.60	1,225,614,316	9.07
Property, plant and equipment and intangible assets	6,342	-	37,602	-
Current tax asset	8,386,104	-	7,222,052	-
Deferred tax assets	312,609,362	-	345,284,882	-
Other assets	318,130,637	9.41	368,314,697	9.45

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
34. RELATED PARTY TRANSACTIONS, CONTINUED
Transactions with other related parties, continued

	State companies and organisations			
	31 December 2023		31 December 2022	
	KZT'000	Average nominal interest rates, %	KZT'000	Average nominal interest rates, %
LIABILITIES				
Deposits and balances from banks and other financial institutions	2,415,540,117	14.78	1,421,724,926	16.06
Repurchase agreements	6,294,517	14.75	6,058,903	15.75
Current accounts of the National Fund of the Republic of Kazakhstan	133,146,046	-	118,615,388	-
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,932,859,394	0.25	1,815,667,695	0.25
Customer accounts	367,220,164		333,937,166	
Debt securities*	940,138,250	14.53	848,294,325	14.78
Current tax liability	8,478	-	7,194	-
Deferred tax liabilities	2,696,549	-	3,104,274	-
Other liabilities	601,042,178	-	1,693,522	-
EQUITY				
Reserve for changes in fair value of financial assets	1,801,255	-	-	-

* The effective interest rate is specified for debt securities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

34. RELATED PARTY TRANSACTIONS, CONTINUED

Transactions with other related parties, continued

	State companies and organisations	
	2023	2022
	KZT'000	KZT'000
Consolidated statement of profit or loss and other comprehensive income		
Interest income calculated using the effective interest method	334,310,630	295,392,184
Interest expense	(226,932,514)	(160,622,358)
Fee and commission income	31,956,707	22,124,315
Fee and commission expense	(3,318,849)	(2,919,143)
Net loss on financial instruments measured at fair value through profit or loss	(143,117)	(70,273)
Net gain on financial instruments at fair value through other comprehensive income	28,726,066	19,150,321
Share of profit (loss) of associates	3,253,258	2,091,979
Other operating income, net	11,683,087	4,282,757
Other operating expense, net	(929,960)	(1,840,460)
Expenses for the creation of provisions for credit losses	(45,518)	-
Banknotes and coins production expenses	(39,871)	(39,460)
Personnel expenses	(2,709,710)	(1,337,098)
Other general and administrative expenses	(4,945,622)	(3,994,191)
Income tax expense	(34,268,510)	(2,823,584)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023:

KZT'000	Designated at fair value in accordance with the Accounting Policy (Note 2)	Measured at FVTPL	Measured at FVOCI (debt)	Measured at FVOCI (equity)	Other at amortised cost	Total carrying amount	Fair value
ASSETS							
Cash on hand in foreign currency	-	-	-	-	3,597,190,984	3,597,190,984	3,597,694,567
Gold on deposits and accounts in foreign banks	2,145,296,495	-	-	-	-	2,145,296,495	2,145,296,495
Gold bullion in vaults of NBK and foreign banks	6,828,455,954	-	-	-	-	6,828,455,954	6,828,455,954
Loans and deposits with banks and other financial institutions	-	277,172,381	-	-	1,952,488,945	2,229,661,326	2,167,566,282
Financial instruments at fair value through profit or loss	-	1,200,504,369	-	-	-	1,200,504,369	1,200,504,369
Investment securities measured at fair value through other comprehensive income	-	-	4,938,845,166	670,758,516	-	5,609,603,682	5,609,603,682
Investment securities measured at amortised cost	-	-	-	-	297,860,841	297,860,841	262,900,728
Other financial assets	-	-	-	-	1,151,914,688	1,151,914,688	1,151,914,688
	8,973,752,449	1,477,676,750	4,938,845,166	670,758,516	6,999,455,458	23,060,488,339	22,963,936,765

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

KZT'000	Measured at FVTPL	Other at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Cash in circulation	-	4,110,361,072	4,110,361,072	4,110,361,072
Deposits and balances from banks and other financial institutions	-	8,229,577,093	8,229,577,093	8,229,577,093
Financial instruments at fair value through profit or loss	2,611,916	-	2,611,916	2,611,916
Repurchase agreements	-	6,294,517	6,294,517	6,294,517
Current accounts of the National Fund of the Republic of Kazakhstan	-	133,146,046	133,146,046	133,146,046
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,932,859,394	1,932,859,394	1,932,859,394
Customer accounts	-	368,734,110	368,734,110	368,734,110
Debt securities issued	-	2,416,342,978	2,416,342,978	2,377,847,235
Provisions	-	56,337,341	56,337,341	56,337,341
Other financial liabilities	-	629,143,747	629,143,747	629,143,747
	2,611,916	17,882,796,298	17,885,408,214	17,846,912,471

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022:

KZT'000	Designated at fair value in accordance with the Accounting Policy (Note 2)	Measured at FVTPL	Measured at FVOCI (debt)	Measured at FVOCI (equity)	Other at amortised cost	Total carrying amount	Fair value
ASSETS							
Cash on hand in foreign currency	-	-	-	-	2,480,721,014	2,480,721,014	2,481,233,202
Gold on deposits and accounts in foreign banks	1,341,065,933	-	-	-	-	1,341,065,933	1,341,065,933
Gold bullion in vaults of NBK and foreign banks	8,184,472,296	-	-	-	-	8,184,472,296	8,184,472,296
Loans and deposits with banks and other financial institutions	-	247,782,030	-	-	1,916,980,446	2,164,762,476	2,155,278,989
Financial instruments at fair value through profit or loss	-	1,110,237,951	-	-	-	1,110,237,951	1,110,237,951
Investment securities measured at fair value through other comprehensive income	-	-	4,014,429,094	544,013,806	-	4,558,442,900	4,558,442,900
Investment securities measured at amortised cost	-	-	-	-	1,406,034,598	1,406,034,598	1,160,718,463
Other financial assets	-	-	-	-	1,082,817,143	1,082,817,143	1,082,817,143
	9,525,538,229	1,358,019,981	4,014,429,094	544,013,806	6,886,553,201	22,328,554,311	22,074,266,877

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Accounting classifications and fair values, continued

KZT'000	Measured at FVTPL	Other at amortised cost	Total carrying amount	Fair value
LIABILITIES				
Currency in circulation	-	3,824,305,306	3,824,305,306	3,824,305,306
Deposits and balances from banks and other financial institutions	-	8,265,058,566	8,265,058,566	8,265,058,566
Financial instruments at fair value through profit or loss	1,770,940	-	1,770,940	1,770,940
Repurchase agreements	-	6,058,903	6,058,903	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	-	118,615,388	118,615,388	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,815,667,695	1,815,667,695	1,815,667,695
Customer accounts	-	335,439,122	335,439,122	335,439,122
Debt securities issued	-	3,424,605,376	3,424,605,376	3,393,913,082
Provisions	-	225,896,837	225,896,837	225,896,837
Other financial liabilities	-	25,350,948	25,350,948	25,350,948
	1,770,940	18,040,998,141	18,042,769,081	18,012,076,787

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Accounting classifications and fair values, continued**

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 judgement, 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 Group determines fair values using other valuation techniques.

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

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

The Group 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 judgement and estimation.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

As at 31 December 2023 and 31 December 2022, fair value of investments in hedge funds, private equity funds and real estate funds is based on net assets value provided by Independent Administrator and (or) Managing Director.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Fair value hierarchy**

The Group 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 quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2023 and 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 consolidated statement of financial position:

31 December 2023 KZT'000	Level 1	Level 2	Level 3	Total
Gold				
- Gold bullion in the vault of the NBK and foreign banks	6,828,455,954	-	-	6,828,455,954
- Gold on deposits with foreign banks	-	2,145,296,495	-	2,145,296,495
Loans and deposits with banks and other financial institutions				
- Deposits with banks	-	21,063,642	-	21,063,642
- Loans issued	-	256,108,738	-	256,108,738
Financial instruments at fair value through profit or loss				
- Derivative assets	-	2,049,506	-	2,049,506
- Equity investments	-			
Investments in private equity funds	-	-	814,812,176	814,812,176
Investments in real estate funds	-	-	82,309,027	82,309,027
Investments in hedge funds	-	270,668,196	-	270,668,196
Investments in other funds	-	30,665,464	-	30,665,464
- Derivative liabilities	-	(2,611,916)	-	(2,611,916)
Investment securities measured at fair value through other comprehensive income				
- Government bonds of foreign issuers	2,310,557,833	-	-	2,310,557,833
- Corporate bonds of international companies	909,997,285	936,713	-	910,933,998
- Bonds of international government and non-government financial organisations	309,315,799	-	-	309,315,799
- Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	-	1,296,706,369	-	1,296,706,369
Corporate bonds of Kazakhstani issuers	-	111,331,167	-	111,331,167
- Corporate shares	379,380	670,379,136	-	670,758,516
	10,358,706,251	4,802,593,510	897,121,203	16,058,420,964

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

31 December 2023 KZT'000	Level 1	Level 2	Level 3	Total
Gold				
- Gold bullion in the vault of the NBK and foreign banks	8,184,472,296	-	-	8,184,472,296
- Gold on deposits with foreign banks	-	1,341,065,933	-	1,341,065,933
Loans and deposits with banks and other financial institutions				
- Deposits with banks	-	25,486,008	-	25,486,008
- Loans issued	-	222,296,022	-	222,296,022
Financial instruments at fair value through profit or loss				
- Derivative assets	-	2,260,024	-	2,260,024
- Equity investments	-			
Investments in private equity funds	-	-	785,919,977	785,919,977
Investments in real estate funds	-		65,902,980	65,902,980
Investments in hedge funds	-	239,088,677	-	239,088,677
Investments in other funds	-	17,066,293	-	17,066,293
- Derivative liabilities	-	(1,770,940)	-	(1,770,940)
Investment securities measured at fair value through other comprehensive income				
- Government bonds of foreign issuers	2,774,241,944	-	-	2,774,241,944
- Corporate bonds of international companies	656,219,857	-	-	656,219,857
- Bonds of international government and non-government financial organisations	139,183,844	-	-	139,183,844
- Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	-	444,783,449	-	444,783,449
- Corporate shares	2,046,286	541,967,520	-	544,013,806
	<u>11,756,164,227</u>	<u>2,832,242,986</u>	<u>851,822,957</u>	<u>15,440,230,170</u>

* The fair value of unquoted investment funds is determined using the unadjusted value of their net assets.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Fair value hierarchy, continued**

Due to uncertainty about the valuation of funds, its estimated value may be different from the value that would have been used if a liquidity market existed for such funds, and this difference may be significant.

Investments in hedge funds

Investments in hedge funds generally comprise investment funds that hold positions in the highly liquid securities and financial derivatives which are measured at a quoted market price, and (or) less liquid non-marketable securities and derivatives which are measured at an estimated fair value. The composition and concentration of securities vary within the funds, depending on various factors, including the nature of the funds' investment strategy and market influence.

Investments in hedge funds categorised into Level 2 consist of open-end funds. Open-end funds are the funds from which the Group can withdraw its investments at the reported value of net assets.

Investments in private equity funds and real estate funds

The NBK's investments in equity investments, which are under management of the Group, categorised into Level 3 comprise:

- investment in the funds through the structure of the fund of funds and co-investments with the funds made to accumulate the investors' funds to invest in share capital or securities of the invested companies (private equity funds);
- investments with the funds through the structure of the fund of funds made to earn income from rent payments and (or) appreciation of real estate (real estate funds).

Measurement of fair value

To consolidate the fair value of the Group's holdings in these funds for the years ended 31 December 2023 and 31 December 2022, the Group used reports prepared by independent administrators and (or) managers of funds. The approach followed by independent administrators and (or) managers was to estimate the fair value of the investments held by each fund.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

As a cross check, independent administrators and (or) managers also review fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

The table below analyses funds categorised into Level 3 in the fair value hierarchy as at 31 December 2023 and 31 December 2022.

	2023	2022
	KZT'000	KZT'000
Fair value at the beginning of the year	851,822,957	757,614,931
Deposits	98,287,575	129,821,281
Payments	(57,435,070)	(79,675,853)
Realised gain from financial assets	15,433,004	38,803,927
Unrealised gains/(losses) on changes in the fair value	4,200,639	(51,307,452)
Foreign currency revaluation reserve	(15,187,902)	56,566,123
Fair value at the end of the year	897,121,203	851,822,957

As at 31 December 2023, if the quotes for financial instruments categorised into Level 3 in the fair value hierarchy had been 1% lower, the impact on profit or loss would have been a decrease of KZT 8,971,212 thousand (31 December 2022: KZT 8,518,230 thousand).

Depending on the nature of the underlying instruments, funds may use observable market prices, their own models or may involve independent valuers who use models to obtain fair value for investments. Managers, in turn, accumulate information about fair value of investments managed by the funds. Managers may also directly appoint independent valuers to obtain the estimates of the fair value of investments when such information cannot be provided by the funds, or where the investments are directly managed by this manager.

Due to the specific nature of alternative instruments and time limits for obtaining information about the fair values of funds, part of the fair value of funds can be presented on the basis of the fair value of funds for the third quarter of the reporting year, taking into account the movement of cash flows in the fourth quarter.

The table below analyses investments of the funds, categorised as Level 3 in the fair value hierarchy as at 31 December 2023 and 31 December 2022, by geography of investments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

	31 December 2023	31 December 2022
	KZT'000	KZT'000
<i>Investments in real estate funds</i>		
USD	33,746,701	27,020,222
Europe	19,754,167	17,134,775
Asia	27,161,979	19,770,894
Other	1,646,180	1,977,089
Total investments in real estate funds	82,309,027	65,902,980
<i>Investments in private equity funds</i>		
USD	556,516,716	557,217,264
Europe	147,481,004	120,245,756
Asia	61,110,913	58,943,998
Other	49,703,543	49,512,959
Total investments in private equity funds	814,812,176	785,919,977
Total	897,121,203	851,822,957

Conducting an in-depth analysis of instruments managed through the structure of the fund of funds and co-investments with the private equity funds and real estate funds, and based on the consolidated financial statements of these funds, the table below shows private equity funds and real estate funds broken by direct and indirect investments as at 31 December 2023 and 31 December 2022. Direct investments are broken in line with the fair value hierarchy; while indirect investments are broken in accordance with the presented value of the net assets of investments:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

31 December 2023

KZT'000	Level 1	Level 2	Level 3	Total
Total direct investments	1,067,575	7,538,205	82,976,989	91,582,769
Total indirect investments measured at the assets net value			805,538,434	805,538,434
Total value of investments in private equity funds and real estate funds	1,067,575	7,538,205	888,515,423	897,121,203

31 December 2022

KZT'000	Level 1	Level 2	Level 3	Total
Total direct investments	10,992,461	10,496,945	82,303,709	103,793,115
Total indirect investments measured at the assets net value	-	-	748,029,842	748,029,842
Total value of investments in private equity funds and real estate funds	10,992,461	10,496,945	830,333,551	851,822,957

In accordance with IFRS requirements on disclosure of direct investments categorised as Level 3 in the fair value hierarchy, the table below sets out information about significant unobservable inputs used in the measuring of investments as at 31 December 2023 and 31 December 2022:

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35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

Sector	31 December 2023			
	Fair value (KZT'000)	Valuation technique	Unobservable inputs	Multiple
Communication services	2,607,205	Market approach	EBITDA multiple	18.75x
Consumer goods and services	25,796,333	Market approach	EBITDA multiple	8.5x-18x
Manufacturing industry	10,854,256	Market approach	EBITDA multiple	11,25x-17.75x
Information Technology	7,927,128	Market approach	EBITDA multiple	10.50x-25.25x
Financial services	27,242,398	Market approach	EBITDA multiple/ P/NTAV multiple	8x-15.25x 1.6x
Health care	2,266,419	Market approach	EBITDA multiple	15x
Machinery manufacturing	4,345,549	Market approach	EBITDA multiple	13.25x
Other investments	1,937,701	Market approach	Revenue multiple	3.50x
Total direct investments	82,976,989			
Total indirect investments	805,538,434	Net assets value	-	-
Total direct and indirect investments	888,515,423			

* The valuation in this industry is based on recent transactions, generally defined as investments acquired within six months of the valuation date or an expected transaction with an expected closing date after the valuation date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED
Fair value hierarchy, continued

Sector	31 December 2022			
	Fair value (KZT'000)	Valuation technique	Unobservable inputs	Multiple
Communication services	500,527	Market approach	NFY Revenue multiple	3.27x
Consumer goods and services	27,992,255	Market approach	Revenue multiple EBITDA multiple	2x 4.75x-18x
Manufacturing industry	13,525,816	Market approach Recent transaction*	EBITDA multiple	11x-16.25x
Information Technology	8,379,239	Market approach	EBITDA multiple	8.50x-24.50x
Financial services	23,794,919	Market approach	EBITDA multiple P.NTAV multiple	10.50x-15x 1.7x
Health care	2,218,823	Market approach	EBITDA multiple	13.50x
Machinery manufacturing	4,132,429	Market approach	EBITDA multiple	12.75x
Other investments	1,759,701	Market approach	Revenue multiple	2.50x
Total direct investments	82,303,709			
Total indirect investments	748,029,842	Net assets value		-
Total direct and indirect investments	830,333,551			

* The valuation in this industry is based on recent transactions, generally defined as investments acquired within six months of the valuation date or an expected transaction with an expected closing date after the valuation date.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

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

KZT'000	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash and cash equivalents				
- "nostro" accounts in foreign and Kazakhstan banks	-	2,939,467,899	2,939,467,899	2,938,999,854
- reverse repurchase transactions and deposits in foreign banks with an original maturity of less than three months	-	520,373,642	520,373,642	520,338,103
- cash in foreign currency at the cash desk	-	137,853,027	137,853,027	137,853,027
Loans and deposits with banks and other financial institutions				
- other accounts in foreign banks and financial institutions	-	768,579,209	768,579,209	768,579,209
- deposits in banks	-	64,464,998	64,464,998	64,464,998
- loans provided	-	1,047,460,412	1,047,460,412	1,109,555,456
- accounts receivable from other financial institutions	-	9,889,282	9,889,282	9,889,282
Investment securities measured at amortised cost				
- investments in securities of foreign issuers	102,228,471	-	102,228,471	101,463,388
- investments in securities of Kazakhstani issuers	-	160,672,257	160,672,257	196,397,453
Other financial assets				
- requirements for repurchased loans	-	1,130,114,028	1,130,114,028	1,130,114,028
- other receivables	-	21,800,660	21,800,660	21,880,660
Currency in circulation	4,110,361,072	-	4,110,361,072	4,110,361,072
Deposits and balances from banks and other financial institutions	-	8,229,577,093	8,229,577,093	8,229,577,093
Reverse repurchase agreements	-	6,294,517	6,294,517	6,294,517
Current accounts of the National Fund of the Republic of Kazakhstan	-	133,146,046	133,146,046	133,146,046
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,932,859,394	1,932,859,394	1,932,859,394
Customer accounts	-	368,734,110	368,734,110	368,734,110
Debt securities issued	-	2,377,847,235	2,377,847,235	2,416,342,978
Provisions	-	56,337,341	56,337,341	56,337,341
Other financial liabilities	-	629,143,747	629,143,747	629,143,747

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35. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

The table below provides an analysis of the fair value of financial instruments not measured at fair value as at 31 December 2022, by level of the fair value hierarchy.

KZT'000	Level 1	Level 2	Total fair value	Total carrying amount
ASSETS				
Cash and cash equivalents				
- "nostro" accounts in foreign and Kazakhstan banks	-	2,077,171,519	2,077,171,519	2,076,659,331
- reverse repurchase transactions and deposits in foreign banks with an original maturity of less than three months	-	274,113,113	274,113,113	274,113,113
- cash in foreign currency at the cash desk	-	129,948,570	129,948,570	129,948,570
Loans and deposits with banks and other financial institutions				
- other accounts in foreign banks and financial institutions	-	782,037,582	782,037,582	782,037,582
- deposits in banks	-	68,740,004	68,740,004	68,740,004
- loans provided	-	1,051,766,051	1,051,766,051	1,061,249,538
- accounts receivable from other financial institutions	-	4,953,322	4,953,322	4,953,322
Investment securities measured at amortised cost				
- investments in securities of foreign issuers	156,908,108	-	156,908,108	157,943,803
- investments in securities of Kazakhstani issuers	-	1,003,810,355	1,003,810,355	1,248,090,795
Other financial assets				
- requirements for repurchased loans	-	1,064,083,212	1,064,083,212	1,064,083,212
- other receivables	-	18,733,931	18,733,931	18,733,931
LIABILITIES				
Currency in circulation	3,824,305,306	-	3,824,305,306	3,824,305,306
Deposits and balances from banks and other financial institutions	-	8,265,058,566	8,265,058,566	8,265,058,566
Repurchase agreements	-	6,058,903	6,058,903	6,058,903
Current accounts of the National Fund of the Republic of Kazakhstan	-	118,615,388	118,615,388	118,615,388
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	1,815,667,695	1,815,667,695	1,815,667,695
Customer accounts	-	335,439,122	335,439,122	335,439,122
Debt securities issued	-	3,393,913,082	3,393,913,082	3,424,605,376
Provisions	-	225,896,837	225,896,837	225,896,837
Other financial liabilities	-	25,350,948	25,350,948	25,350,948