

**NATIONAL BANK
OF THE REPUBLIC OF
KAZAKHSTAN**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE YEAR
ENDED 31 DECEMBER 2022**

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 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the National Bank of the Republic of Kazakhstan (the "NBK") and its subsidiaries (the NBK and its subsidiaries together – the "National Bank") as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Basis of Preparation 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; and
- preparing the consolidated financial statements on a going concern basis.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the National Bank;
- maintaining adequate accounting records that disclose with reasonable accuracy at any time the consolidated financial position of the National Bank and which enable them to ensure that the consolidated financial statements of the National Bank comply with the requirements of the Basis of Preparation;
- 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.

The consolidated financial statements for the year ended 31 December 2022 were approved by the National Bank's Management Board on 7 April 2023.

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

Pirmatov G.O.
Governor

7 April 2023
Astana, Kazakhstan

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

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180 Dostyk Avenue, Almaty,
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Independent Auditors' Report

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

Qualified Opinion

We have audited the consolidated financial statements of the National Bank of the Republic of Kazakhstan and its subsidiaries (the “National Bank”), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Bank as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the basis of preparation described in Note 2 to the consolidated financial statements (the “Basis of Preparation”).

Basis for Qualified Opinion

As presented in Note 22 to the consolidated financial statements, the National Bank has measured equity securities stated at KZT 750,000,000 thousand as at 31 December 2021 at cost on the basis that it was unable to obtain a reliable measurement of their fair value. A reliable measure of fair value could have been obtained, and therefore such investments should have been stated at fair value in accordance with the Basis of Preparation. As at 31 December 2022 the National Bank has remeasured these equity securities at the fair value and recognized the effect in the other comprehensive income in 2022.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
Independent Auditors' Report

The effects of the departure from the Basis of Preparation due to the accounting of equity securities at cost on investment securities at fair value through other comprehensive income, assets, reserve for changes in fair value of financial assets, equity as at 31 December 2021, and other comprehensive income for the years ended 31 December 2022 and 2021 have not been determined.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the National Bank to the President of the Republic of Kazakhstan for the year 2022 (the "Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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. Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to be communicated in our report.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
Independent Auditors' Report

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

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

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

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

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

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

—Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the National Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the National Bank audit. We remain solely responsible for our audit opinion.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
Independent Auditors' Report

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

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

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

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


Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. МФ-0000096 of 27 August 2012



KPMG Audit LLC

State Licence to conduct audit, dated 6 December 2006 issued by the
Ministry of Finance of the Republic of Kazakhstan


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



7 April 2023

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR
ENDED 31 DECEMBER 2022**

	Note	2022 KZT'000	2021 KZT'000
Interest income calculated using effective interest method	5	453,488,188	351,627,649
Interest expense	5	<u>(643,218,271)</u>	<u>(588,903,792)</u>
Net interest loss		<u>(189,730,083)</u>	<u>(237,276,143)</u>
Fee and commission income	6	31,561,869	40,128,566
Fee and commission expense	7	<u>(7,070,697)</u>	<u>(7,364,126)</u>
Net fee and commission income		<u>24,491,172</u>	<u>32,764,440</u>
Net gain on financial instruments at fair value through profit or loss	8	57,075,764	248,333,316
Net (loss)/gain on investment securities at fair value through other comprehensive income	9	(50,280,652)	22,606,726
Share of profit of associates		2,126,524	1,335,836
Expenses on rehabilitation of the banking sector and economy	10	(172,460,175)	(128,177,122)
Other operating expense, net	11	<u>(145,625,495)</u>	<u>(4,456,576)</u>
Operating expenses		<u>(474,402,945)</u>	<u>(64,869,523)</u>
Income on recovery of allowance for credit losses	12	12,316,695	2,870,049
Banknotes and coins production expenses	13	(17,741,366)	(22,389,937)
Personnel expenses	14	(28,651,988)	(24,397,644)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR
ENDED 31 DECEMBER 2022**

	Note	2022 KZT'000	2021 KZT'000
Depreciation and amortisation		(6,963,352)	(5,163,179)
Other general administrative expenses	15	(17,152,392)	(26,054,901)
Loss before income tax		(532,595,348)	(140,005,135)
Income tax (expense)/benefit	16	(2,823,584)	19,237,436
Loss for the year		<u>(535,418,932)</u>	<u>(120,767,699)</u>
Loss attributable to:			
- Equity holders of the National Bank		(535,783,126)	(120,925,235)
- Non-controlling interests		364,194	157,536
Loss for the year		<u>(535,418,932)</u>	<u>(120,767,699)</u>

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

Pirmatov G.O.
Governor

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

7 April 2023
Astana, Kazakhstan

The notes on pages 22-173 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 2022**

	2022	2021
	KZT'000	KZT'000
Loss for the year	(535,418,932)	(120,767,699)
Other comprehensive income/(loss), 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	(217,276,622)	(49,020,525)
- Net change in fair value transferred to profit or loss	69,430,973	(17,819,146)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<i>(147,845,649)</i>	<i>(66,839,671)</i>
<i>Items that will not be reclassified to profit or loss:</i>		
Movement in fair value reserve (equity instruments)	(210,655,942)	4,764,034
Foreign currency and foreign currency derivatives translation reserve	224,299,004	27,705,339
Precious metals revaluation reserve	700,580,375	(87,365,671)
Revaluation reserve for property and equipment	-	6,110,350
<i>Total items that will not be reclassified to profit or loss</i>	<i>714,223,437</i>	<i>(48,785,948)</i>
Other comprehensive income/(loss) for the year, net of income tax	566,377,788	(115,625,619)
Total comprehensive income/(loss) for the year	30,958,856	(236,393,318)
Total comprehensive income/(loss) attributable to:		
- Equity holders of the National Bank	30,593,076	(236,554,717)
- Non-controlling interests	365,780	161,399
Total comprehensive income/(loss) for the year	30,958,856	(236,393,318)

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

Pirmatov G.O.
Governor

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

7 April 2023
Astana, Kazakhstan

The notes on pages 22-173 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 2022**

	Note	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS			
Cash on hand in foreign currency	17	129,948,570	112,430,324
Gold	18	9,525,538,229	10,254,959,287
Placements and loans with banks and other financial institutions	19	4,242,201,137	3,195,568,022
Financial instruments under management at fair value through profit or loss	20	1,110,237,951	965,401,344
Reverse repurchase agreements	21	273,333,783	549,162,352
Investment securities measured at fair value through other comprehensive income			
- Pledged under sale and repurchase agreements	22	5,775,086	140,891,608
- Not pledged under sale and repurchase agreements	22	4,552,667,814	3,120,523,009
Investment securities measured at amortised cost	23	1,406,034,598	1,193,349,488
Investments in associates		9,381,975	7,255,451
Property, plant and equipment and intangible assets	24	87,457,720	80,626,994
Current tax asset		7,222,052	6,735,771
Deferred tax assets	16	345,284,882	346,258,930
Other assets	25	1,128,627,213	869,136,777
Total assets		22,823,711,010	20,842,299,357
LIABILITIES			
Currency in circulation	26	3,824,305,306	3,452,220,118
Deposits and balances from banks and other financial institutions	27	8,265,058,566	7,197,414,543
Financial instruments under management at fair value through profit or loss	20	1,770,940	1,816,270
Repurchase agreements	28	6,058,903	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	29	118,615,388	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	30	1,815,667,695	904,928,019
Customer accounts	31	335,439,122	206,932,122

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		31 December 2022	31 December 2021
	Note	KZT'000	KZT'000
Debt securities issued	32	3,424,605,376	3,062,328,192
Estimated liabilities	33	225,896,837	61,130,493
Current tax liability		7,194	11,824
Deferred tax liabilities	16	3,104,274	2,610,066
Other liabilities	34	36,557,200	31,469,566
Total liabilities		18,057,086,801	16,133,089,711
EQUITY			
Charter capital	35	20,000,000	20,000,000
Special guarantee reserve	35	804,355,658	685,322,567
Other reserves		4,032,306	4,032,306
Revaluation reserve for property and equipment		28,458,489	28,982,199
Reserve for changes in fair value of financial assets		(379,720,336)	(23,584,179)
Revaluation reserve for foreign currency, foreign currency derivatives and precious metals		8,498,487,049	7,573,609,256
Accumulated losses		(4,210,916,307)	(3,580,710,836)
Total equity attributable to equity holders of the National Bank		4,764,696,859	4,707,651,313
Non-controlling interests	35	1,927,350	1,558,333
Total equity		4,766,624,209	4,709,209,646
Total liabilities and equity		22,823,711,010	20,842,299,357

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

Pirmatov G.O.
Governor

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

7 April 2023
Astana, Kazakhstan

The notes on pages 22-173 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	KZT'000	KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(532,595,348)	(140,005,135)
<i>Adjustments for:</i>		
Depreciation and amortisation	10,897,763	7,431,480
Income on recovery of allowance for credit losses	(12,355,812)	(2,903,660)
Provisions for estimated liabilities	(3,196,108)	22,406,405
Compensation for individuals' deposits	167,962,452	-
Impairment loss on other non-financial assets	39,117	33,611
Expense/(proceeds) from disposal of property, plant and equipment	389,183	(348,237)
Revaluation loss on property, plant and equipment	-	42,939
Interest expense on debt securities issued	328,701,949	384,754,150
Amortisation of premium and discount on financial assets	(8,807,769)	(4,657,563)
Unrealised gain on financial instruments measured at fair value through profit or loss	85,468,391	(155,420,295)
Share of profit of associates	(2,126,524)	(1,335,836)
Cash (used in)/from operating activities before changes in operating assets and liabilities (Increase)/decrease in operating assets	34,377,294	109,997,859
Gold	1,430,001,433	(398,999,399)
Placements and loans with banks and other financial institutions	134,906,891	117,094,257

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	KZT'000	KZT'000
Financial instruments under management at fair value through profit or loss	(120,484,059)	(169,771,981)
Investment securities measured at fair value through other comprehensive income	(1,537,827,136)	306,864,182
Other assets	(252,020,683)	158,445,992
Increase/(decrease) in operating liabilities		
Currency in circulation	372,085,188	201,351,639
Deposits and balances from banks and other financial institutions	626,541,864	(216,994,526)
Financial instruments under management at fair value through profit or loss	(412,831)	802,940
Repurchase agreements	(144,038,910)	49,500,666
Current accounts of the National Fund of the Republic of Kazakhstan	(943,515,297)	620,575,418
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	931,492,386	(525,134,709)
Customer accounts	128,482,455	(32,168,601)
Estimated liabilities	-	(14,332,101)
Other liabilities	(16,368,584)	(3,743,620)
Net cash flows from operating activities before income tax paid	643,220,011	203,488,016
Income tax paid	(900,770)	(259,070)
Net cash flows from operating activities	642,319,241	203,228,946

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	KZT'000	KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(261,178,027)	(232,392,096)
Repayment of investment securities measured at amortised cost	56,261,754	171,143,544
Acquisition of property, plant and equipment and intangible assets	(18,753,306)	(22,139,686)
Proceeds from sale of property, equipment and intangible assets	635,634	401,935
Investments in capital of associates	(34,546)	(236,299)
Net cash used in investing activities	(223,068,491)	(83,222,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of debt securities	18,523,513,261	22,660,504,762
Repayment of debt securities issued	(18,165,968,913)	(23,212,157,298)
Interest expense on debt securities issued	(323,969,113)	(416,744,779)
Net cash from/(used in) financing activities	33,575,235	(968,397,315)
Net increase/(decrease) in cash and cash equivalents	452,825,985	(848,390,971)
Effect of changes in exchange rates on cash and cash equivalents	459,501,080	33,670,276
Cash and cash equivalents at the beginning of the year, gross	1,568,906,137	2,383,626,832
Cash and cash equivalents at the end of the year, gross (Note 17)	2,481,233,202	1,568,906,137

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022**

Interest paid and received during the year ended 31 December 2022 amounted to KZT 609,319,538 thousand and KZT 375,255,409 thousand, respectively (31 December 2021: KZT 572,320,645 thousand and KZT 342,455,848 thousand, respectively).

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

Pirmatov G.O.
Governor

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

7 April 2023
Astana, Kazakhstan

The notes on pages 22-173 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 2022

KZT'000	Equity attributable to equity holders of the National Bank									
	Charter capital	Special guarantee reserve	Other reserves	Revaluation reserve for property and equipment	Reserves for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses	Total	Non-controlling interest	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
Restated prior year retained earnings due to fair value remeasurement 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	-	-	-	-	-	-	(535,783,126)	(535,783,126)	364,194	(535,418,932)
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 securities):</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 reserve	-	119,033,091	-	-	-	-	(119,033,091)	-	-	-
Additional paid-in capital of subsidiaries	-	-	-	-	-	-	(564)	(564)	-	(564)
Decrease in non-controlling interest	-	-	-	-	-	-	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 immaterial, 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 2022

KZT'000	Equity attributable to equity holders of the National Bank									
	Charter capital	Special guarantee reserve	Other reserves	Revaluation reserve for property and equipment	Reserves for changes in fair value of financial assets	Revaluation reserve for foreign currency and precious metals	Accumulated losses	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	20,000,000	598,376,004	4,032,306	23,184,009	41,861,301	7,633,270,564	(3,389,104,209)	4,931,619,975	1,397,534	4,933,017,509
Restated prior year retained earnings due to fair value remeasurement of certain assets *	-	-	-	-	-	-	12,587,640	12,587,640	-	12,587,640
Restated balance at 1 January 2021	20,000,000	598,376,004	4,032,306	23,184,009	41,861,301	7,633,270,564	(3,376,516,569)	4,944,207,615	1,397,534	4,945,605,149
Total comprehensive loss	-	-	-	-	-	-	(120,925,235)	(120,925,235)	157,536	(120,767,699)
Loss for the year	-	-	-	-	-	-	(120,925,235)	(120,925,235)	157,536	(120,767,699)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
<i>Movement in fair value reserve (debt instruments):</i>										
Net change in fair value	-	-	-	-	(49,020,525)	-	-	(49,020,525)	-	(49,020,525)
Net amount transferred to profit or loss	-	-	-	-	(17,819,146)	-	-	(17,819,146)	-	(17,819,146)
<i>Movement in fair value reserve (equity securities):</i>										
Net change in fair value	-	-	-	-	1,394,191	-	3,369,843	4,764,034	-	4,764,034
Foreign currency and foreign currency derivative financial instruments revaluation reserve	-	-	-	-	-	27,704,363	-	27,704,363	976	27,705,339
Precious metals revaluation reserve	-	-	-	-	-	(87,365,671)	-	(87,365,671)	-	(87,365,671)
Revaluation of property and equipment	-	-	-	6,107,463	-	-	-	6,107,463	2,887	6,110,350
Total other comprehensive loss	-	-	-	6,107,463	(65,445,480)	(59,661,308)	3,369,843	(115,629,482)	3,863	(115,625,619)
Total comprehensive loss for the year	-	-	-	6,107,463	(65,445,480)	(59,661,308)	(117,555,392)	(236,554,717)	161,399	(236,393,318)
Transfer of revaluation reserve resulting from depreciation and disposals	-	-	-	(309,273)	-	-	309,273	-	-	-
Transactions with owners recorded directly in equity:										
Formation and redistribution of special reserve	-	86,946,563	-	-	-	-	(86,946,563)	-	-	-
Additional paid-in capital of subsidiaries	-	-	-	-	-	-	(1,585)	(1,585)	-	(1,585)
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	(600)	(600)
Total transactions with owners	-	86,946,563	-	-	-	-	(86,948,148)	(1,585)	(600)	(2,185)
Balance at 31 December 2021	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

* As the effect is immaterial, 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 2022

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

Pirmatov G.O.
Governor

7 April 2023
Astana, Kazakhstan

Taishibayeva D.A.
Chief Accountant

7 April 2023
Astana, Kazakhstan

The notes on pages 22-173 form 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 2022**

1. INTRODUCTION**(a) Organisation and operations**

These consolidated financial statements comprise the consolidated financial statements of the National Bank of the Republic of Kazakhstan (the “NBK”) and its subsidiaries (together referred to as the “National Bank”).

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 imposed 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 National Bank 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 in 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; performs trust management of the National Fund the Republic of Kazakhstan based on the trust agreement entered into between the NBK and the Government of the Republic of Kazakhstan; performs trust management of the pension assets of “Unified Accumulative Pension Fund” JSC (“UAPF”) based on the trust agreement entered into 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 2022

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 at 31 December 2022 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 subsidiaries:

Name	Year of establishment	Principal activity	Ownership interest, %	
			2022	2021
RSE "Kazakhstan Mint of the National Bank of the Republic of Kazakhstan"	1994	Coins manufacturing	100.00	100.00
RSE "Kazakhstan Centre of Inter-Banking Settlements of the National Bank of the Republic of Kazakhstan"	1996	Electronic cash transfers	100.00	100.00
RSE "Banking Service Bureau of the National Bank of the Republic of Kazakhstan"	1996	Software maintenance and development	100.00	100.00
Kazakhstan Deposit Insurance Fund JSC (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
Center for the Development of Payment and Financial Technologies of the National Bank of the Republic of Kazakhstan JSC	2007	Provision of research and advisory 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 2022

1. INTRODUCTION, CONTINUED

(a) Organisation and operations, continued

Name	Year of establishment	Principal activity	Ownership interest, %	
			2022	2021
Center of Activities Maintenance of the National Bank of Kazakhstan JSC	2011	Transportation services, economic activity on property management	100.00	100.00
National Investment Corporation of the National Bank of Kazakhstan JSC (the “NIC NBK” JSC)	2012	Management of assets of the National Fund of the Republic of Kazakhstan and gold and foreign currency assets of the NBK, management of pension assets	100.00	100.00
State Credit Bureau JSC	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
Kazakhstan Sustainability Fund JSC (KSF JSC)	2017	Ensuring financial stability of the banking sector through financial support of second-tier banks and economy	100.00	100.00
Central Securities Depository JSC	1996	Depository activity	63.24	63.24

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Since 2019 the investments in KASE JSC have been classified as investments in associates.

In accordance with the Resolution of the NBK dated 27 August 2022, No.57, a decision was made to open 3 new branches in Almaty Oblast (city of Konayev), Abai Oblast (city of Semei) and Ulytau Oblast (city of Zhezhgazan) and approved structures of said branches.

(b) Kazakhstan business environment

The National Bank's operations are primarily located in Kazakhstan. Consequently, the National Bank is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. 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.

The volatility in the global price of oil and geopolitical situation have also increased the level of uncertainty in the business environment.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry. According to official data of the National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, in December 2022 inflation in Kazakhstan in annual terms was 20.3%. Prices for food products increased by 25.3%, non-food products by 19.4% and paid services by 14.1%.

With the acceleration of price increases, NBK continued to pursue a disinflationary monetary policy. The prime rate was raised from 9.75% to 16.75% from the beginning of 2022.

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

2. BASIS OF PREPARATION**(a) Statement of compliance**

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 based on International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared to present fairly the consolidated financial position of the National Bank and the results of its operations and have been prepared in accordance with the accounting policy of the NBK which was approved by the Board of Directors of the National Bank on 27 June 2013 with changes and addendums dated 28 December 2021 and which the National Bank considers to be appropriate given the nature of central bank activity. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) with principal modifications as described below:

- gold and gold deposits are revalued based on market value of gold; gains resulting from mark to market of gold and foreign currency assets and liabilities, including foreign currency derivative instruments, are recognised as other comprehensive income within equity. Losses resulting from revaluation are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case they are recognised in other comprehensive income. This accounting treatment applies to the currency position as a whole;

- to perform the role and functions of the central bank and given the fact that results of investment securities management are achieved by both obtaining the contractual cash flows and their sales, these debt financial assets in the NBK portfolio, which are under external management, are classified into the category as “measured at fair value through other comprehensive income”, despite the fact that before 2018 these debt financial assets, which are in the NBK portfolio of assets under external management, were classified as “measured at fair value through profit or loss” managed on a fair value basis in accordance with IAS 39.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that gold, financial instruments at fair value through profit or loss, investment securities measured at fair value through other comprehensive income and buildings, constructions, land plots and vehicles are stated at revalued amounts.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

2. BASIS OF PREPARATION, CONTINUED**(c) Functional and presentation currency for the purposes of consolidated financial statements**

The functional currency of the National Bank and its subsidiaries is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The Kazakhstan tenge is also the presentation currency for the purposes of these consolidated financial statements.

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

(d) Use of estimates and judgements

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

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

Judgements

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

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(g)(i);
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (“ECL”) and selection and approval of models used to measure ECL – Note 4;
- statement of compliance – Note 2;
- accounting for expenses on rehabilitation of the banking sector and the economy – Note 10.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

2. BASIS OF PREPARATION, CONTINUED**(d) Use of estimates and judgements, continued****Assumptions and estimations uncertainty**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the consolidated financial statements for the year ended 31 December 2022 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4;
- fair value of subordinated and coupon bonds upon initial recognition – Note 10;
- financial assets and liabilities: fair value and accounting classifications – Note 42.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are investees controlled by the National Bank. The National Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the National Bank consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Funds management

The National Bank manages and administers assets held in investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the National Bank controls the entity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(a) Basis of consolidation, continued****(iii) Associates**

Associates are those entities in which the National Bank has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the National Bank's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the National Bank's share of losses exceeds the National Bank's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the National Bank has incurred obligations in respect of the associate.

(iv) Transactions eliminated on consolidation

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

(v) Non-controlling interest

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the NBK.

Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statements of income and comprehensive income.

(b) Gold

Gold comprises gold deposits as well as on non-allocated accounts with foreign banks and gold bullion in depositories. Gold is measured at market price at the reporting date in the consolidated financial statements. Market price is based on the morning fixing set by London Bullion Market Association ("LBMA"). Gains on revaluation of gold are recorded directly in other comprehensive income. Losses resulting from revaluation are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case they are recognised in other comprehensive income. Revaluation of gold is not transferred to profit or loss.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(c) Foreign currency**

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Gain on foreign currency differences arising on retranslation of monetary assets and liabilities to foreign currency are recognised in other comprehensive income. Losses resulting from revaluation of monetary assets and liabilities are recognised in profit or loss except to the extent that they reverse a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income. Revaluation of foreign currency is not transferred to profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Cash and cash equivalents

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

(e) Interest income and expense***Effective interest rate***

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

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

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(e) Interest income and expense, continued*****Effective interest rate, continued***

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(e) Interest income and expense, continued*****Presentation***

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

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

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

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

(f) Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(e)).

Fee and commission income, including investment management fees, pension asset management fees, fiduciary assets fees and financial markets management and transfer operations, is recognised as the related services are performed.

Other fee and commission expenses mainly include fees related to asset management, brokerage and custody fees, which are expensed as the related services are received.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(g) Financial instruments***(i) Classification of financial instruments******Financial assets***

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification of financial instruments, continued*****Financial assets, continued***

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the National Bank as at FVTPL, except for the modifications to the accounting policy as described in Note 2(a):

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

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

- interest revenue using the effective interest method;
- expected credit losses and reversals.

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

On initial recognition of an equity investment that is not held for trading, the National Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments 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 recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings (accumulated losses) on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) *Classification of financial instruments, continued******Financial assets, continued*****Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the NBK's management;

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

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the NBK stated objective for managing the financial assets is achieved and how cash flows are realised.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(i) Classification of financial instruments, continued****Financial assets, continued****Assessment whether contractual cash flows are solely payments of principal and interest, continued**

In assessing whether the contractual cash flows are solely payments of principal and interest (“SPPI criterion”), the National Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, NBK considers:

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

Reclassification

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

Financial liabilities

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Derecognition**Financial assets**

The National Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the National bank neither transfers nor retains substantially all of the risks and rewards of ownership and it 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 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, 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 portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the National Bank is recognised as a separate asset or liability.

The National Bank enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Financial liabilities

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

(iii) Modification of financial assets and financial liabilities**Financial assets**

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued*****(iii) Modification of financial assets and financial liabilities, continued*****Financial assets, continued**

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

The National Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The National Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the National Bank analogises to the guidance on the derecognition of financial liabilities.

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

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If cash flows are modified when the counterparty/issuer is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the National Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The National Bank further performs qualitative evaluation of whether the modification is substantial.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iii) *Modification of financial assets and financial liabilities, continued*****Financial assets, continued**

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the National Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

The National Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

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

The National Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors.

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

- change the currency of the financial liability;
- inclusion of conversion feature.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Financial instruments, continued

(iii) *Modification of financial assets and financial liabilities, continued* **Financial liabilities, continued**

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iv) *Impairment*

See also Note 4.

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

- financial assets that are debt instruments;
- financial guarantee contracts issued;

No impairment loss is recognised on equity investments.

The National Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

The National Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”.

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued**

Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if credit risk on financial instruments has increased significantly upon initial recognition but financial instrument is not credit-impaired) and ‘Stage 3’ (if financial instrument is credit-impaired).

ECL measurement

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

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

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the counterparty/issuer, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Credit-impaired financial assets***

At each reporting date, the National Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the National Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the conformity with the required criteria.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) Impairment, continued*****Presentation of allowance for ECL in the consolidated statement of financial position***

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

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the National Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in ‘other operating income’ in the consolidated statement of profit or loss.

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

Non-integral financial guarantee contracts

The second-tier bank accession agreement to the system of compulsory deposit insurance is recognised as a financial guarantee contract under IFRS 9 *Financial Instruments* and is also within the scope of IAS 32 *Financial Instruments: Presentation*.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(iv) *Impairment, continued******Non-integral financial guarantee contracts, continued***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Therefore, contingent liabilities to pay the amount of compensation to the depositors of a member bank as a result of its default constitute a financial guarantee contract.

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

1) the loss allowance; and

2) the amount initially recognised less, when appropriate, total income recognised in accordance with IAS 15 *Revenue from Contracts with Customers*.

Indemnity payments are made only in case of a member bank's default in accordance with the terms of the accession agreement under which the guarantee is provided.

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

In case of a member bank's default, the amount of accrued provisions to cover financial guarantees of the bank being liquidated is reclassified to the indemnity account, when sufficient. If the amount is insufficient, it is charged to provisions account to cover the financial guarantee, and then reclassified to the indemnity account.

(v) *Repurchase and reverse repurchase agreements*

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liabilities are recorded as repo agreements in the separate line of the consolidated statement of financial position. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Financial instruments, continued****(v) *Repurchase and reverse repurchase agreements, continued***

Securities purchased under agreements to resell (reverse repo) are recorded as reverse repurchase agreements in the separate line of the consolidated statement of financial position. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

(vi) *Derivatives*

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

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

Changes in the fair value of derivative instruments are recognized immediately in profit or loss, except for changes in the fair value of derivative instruments whose underlying assets are foreign currencies, which are recognized in other comprehensive income. Gains on revaluation of derivatives with underlying assets being foreign currencies are recognized directly in other comprehensive income. Losses on revaluation of these derivatives are recognized in profit or loss to the extent that they exceed the net unrealized gain from previous periods, otherwise they reduce other comprehensive income directly in equity. Foreign currency derivatives are not re-measured in profit or loss.

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

(vii) *Offsetting*

Financial assets and liabilities of the National Bank are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(h) Currency in circulation**

Currency in circulation is recorded in the consolidated statement of financial position at nominal value.

Currency in circulation is recorded as a liability when cash is issued by the National Bank to commercial banks. Banknotes and coins in national currency held in the vaults and cash offices are not included in the currency in circulation.

Banknotes and coins production expense include expenses for security, transportation, insurance and other expenses. Banknotes and coins production expense are recognised upon delivery to the vaults and recorded as a separate item in the consolidated income statement.

(i) Placements and loans with banks and other financial institutions

‘Placements and loans with banks and other financial institutions’ caption in the consolidated statement of financial position includes:

- loans to banks and placements with banks measured at amortised cost (see Note 3(g)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to banks mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion (see Note 3(g)(i)) are measured at fair value with changes recognised immediately in profit or loss.

(j) Investment securities

The ‘investment securities’ caption, presented in line items such as “Financial instruments under management at fair value through profit or loss”, “Investment securities at fair value through other comprehensive income” and “Investment securities measured at amortised cost” in the consolidated statement of financial position include:

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(k) Deposits of banks and other financial institutions, debt securities issued**

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

Debt securities issued are recognised in accounting as at the transaction date.

(l) Special guarantee reserve

According to the Law of the Republic of Kazakhstan “On the obligatory guarantee of deposits placed in the second tier banks of the Republic of Kazakhstan” (with amendments dated 24 November 2015) the subsidiary of the National Bank – KDIF JSC is due to compensate the participating banks’ depositors amounts up to a certain level in case of forced liquidation of a participating bank. The National Bank establishes a reserve of guarantee funds to accumulate contributions of the banks that participate in the deposit guarantee scheme.

(m) Fiduciary assets

The National Bank provides asset management and custody services that result in holding of assets on behalf of third parties. These assets and income arising thereon are not recognised in these consolidated financial statements as they are not assets of the National Bank. Commissions received from such business are shown within fee and commission income in profit or loss.

(n) Property, plant and equipment**(i) Owned assets**

Items of property and equipment are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses, except for buildings, constructions, land plots and vehicles, which are stated at revalued amounts as described below.

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Property, plant and equipment, continued

(ii) Revaluation

Buildings, constructions, land plots and motor vehicles are subject to revaluation once per five years and if their carrying amounts are significantly different (more than 25%) from their fair values. A revaluation increase on buildings, constructions, land plots and vehicles is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss.

A revaluation decrease on buildings, constructions, land plots and vehicles is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of the equipment of RSE “Banknote Factory of National Bank of the Republic of Kazakhstan” and RSE “Kazakhstan Mint of the National Bank of the Republic of Kazakhstan” used in production of the banknotes and coins is charged to profit and loss on a unit of production method over the expected output of the individual assets.

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings and constructions	1 to 100 years;
Furniture and equipment	5 to 25 years;
Computers	3 to 8 years;
Vehicles	7 to 25 years.

(o) Intangible assets

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(p) Impairment of assets*****Non-financial assets***

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

(q) Credit related commitments

In the normal course of business, the National Bank enters into credit related commitments, comprising letters of credit and guarantees.

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(g)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(r) Taxation**

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

Subsidiaries and associate organisations of the NBK are subject to all taxes.

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(s) Segment reporting**

Activity of the National Bank represents one operating segment for the purposes of IFRS 8 *Operating Segments*. An operating segment is a component of the National Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the National Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the National Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The National Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(t) Leases, continued*****As a lessee, continued***

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

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

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

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

(u) Estimated liabilities

A contingent liability is recognized in the consolidated statement of financial position when the National Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. At recognition of the estimated liability the amount of the estimated liability is attributed to other operating expenses.

Estimated liability is an obligation with uncertain term of performance or an obligation of uncertain value.

(v) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the NBK has not early adopted the new or amended standards in preparing these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(v) Standards issued but not yet effective, continued**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the NBK has not early adopted the new or amended standards in preparing these consolidated financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the consolidated financial statements of the National Bank.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

4. FINANCIAL RISK REVIEW

This note presents information about the National Bank's exposure to financial risks. For information on the National Bank's financial risk management framework, see Note 37.

Credit risk - Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3 (g)(iv).

Significant increase in credit risk

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK REVIEW**Credit risk - Amounts arising from ECL, continued*****Significant increase in credit risk, continued***

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; and
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

The National Bank uses two criteria for determining whether there has been a significant increase in credit risk:

- quantitative criteria;
- qualitative indicators.

Credit risk grades

The National Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The National Bank will use these credit risk grades to identify significant increase in credit risk in accordance with IFRS 9. The credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of counteragent.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Credit risk grades, continued**

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

- data from credit reference agencies, press articles, changes in external credit ratings;
- information obtained during periodic review of counterparty files – e.g. audited financial statements, management accounts, budgets and projections;
- payment record – this includes overdue status;
- quoted bond and credit default swap (CDS) prices for the issuer where available;
- existing and forecast changes in business, financial and economic conditions;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The National Bank collects performance and default information about its credit risk exposures analysed by region and by type of counterparty as well as by credit risk grading. The National Bank mainly uses information purchased from external credit reference agencies.

Determining whether credit risk has increased significantly

The National Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

Significant increase in credit risk – change in the credit rating of a financial asset by two grades relative to the credit rating at the date of initial recognition of the financial asset and (or) if there is breach of contract and (or) if there are outstanding payments overdue by 30-89 calendar days, which are related to the liabilities to the National Bank.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Definition of default**

The National Bank considers a financial asset to be in default when:

- the counterparty/issuer is unlikely to pay its credit obligations to the National Bank in full, without recourse by the National Bank to actions such as realising security (if any is held);
- the counterparty is past due more than 90 days on any material credit obligation to the National Bank.

In assessing whether a counterparty/issuer is in default, the National Bank considers indicators that are:

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

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

Incorporation of forward-looking information

The National Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The National Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The National Bank also uses the forecast of international rating agencies (Rating Outlook) when calculating the correction of the forecast PD, based on the current rating of the counterparty/securities issuer.

Macroeconomic analysis is carried out on the basis of data on forecasts of changes in unemployment, gross domestic income of the country, data on energy and non-energy indices, the stock index of countries and changes in the share of financial assets with a reduced credit rating in the overall portfolio of financial assets of the National Bank.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK REVIEW, CONTINUED

Credit risk - Amounts arising from ECL, continued

Incorporating of forward-looking information, continued

Macroeconomic analysis for each country of a financial asset is taken into account when transforming the indicators of TTC PD (Through-the-Cycle PD) into the indicators of PIT PD (Point-in-Time PD).

Country/Indicator	Source	2023	2024	2025	2026	2027
Kazakhstan						
GDP rate growth	IMF	4%	5%	3%	3%	3%
	Standard and Poor's	4%	4%	4%	4%	4%
	World Bank	4%	4%	4%	4%	4%
Unemployment rate growth	IMF	-2%	0%	0%	0%	0%
	Standard and Poor's	0%	0%	0%	0%	0%
Other countries						
GDP rate growth	IMF	from -2%	from 1%	from 1%	from 1%	from 0%
		to 6%	to 7%	to 7%	to 7%	to 7%
	Standard and Poor's	from -2%	from 0%	from 0%	from 0%	from 0%
		to 6%	to 7%	to 7%	to 7%	to 7%
	World Bank	from -2%	from 2%	from 2%	from 2%	from 2%
		to 7%	to 7%	to 7%	to 7%	to 7%
Unemployment rate growth	IMF	from -11% to	from -9%	from -14%	from -11%	from -13%
		26%	to 17%	to 7%	to 6%	to 5%
	Standard and Poor's	from -23%	from -12%	from -17%		
Indicators used for all countries		to 33%	to 12%	to 10%	0%	0%
Change in the energy index	World Bank	2023	2024	2025	2026	2027
Change in the non-energy index	World Bank	56%	-13%	-14%	-14%	-14%
		9%	-10%	-2%	-2%	-2%

Modified financial assets

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK REVIEW, CONTINUED**Credit risk - Amounts arising from ECL, continued****Modified financial assets, continued**

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

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

Measurement of ECL

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

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

PD estimates are estimates at a certain date, which are calculated based on information of external credit rating agency Standard and Poor's and issuer's/counterparty's economy sector and credit rating model purchased from Standard and Poor's Global Market Intelligence LLC. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The National Bank will estimate LGD parameters based on the history of recovery rates according to the data of international rating agencies, Bloomberg system and ECL model purchased from Standard and Poor's Global Market Intelligence LLC.

To estimate allowance for expected credit losses, conservative rating assessment from rating agencies is used, i.e. the lowest rating according to international rating agencies Moody's, Fitch and Standard and Poor's Expected credit losses on financial assets are determined based on ECL forecast models.

EAD represents the positive carrying amount of claims outstanding as at the date of ECL calculation.

The National Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset will be the gross carrying amount at default.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK REVIEW, CONTINUED

Measurement of ECL, continued

PD for financial assets in the first basket is calculated for 12 months.

For assessment of PD and LGD for financial assets in the second basket, a lifetime PD is used.

PD for financial assets in the third basket is equated to 100%.

Credit quality analysis

The following table sets out information about the credit quality of accounts, placements with banks and other financial institutions, investment securities measured at FVOCI, investment securities measured at amortised cost, claims for repurchased loans and short-term receivables, included in other assets, as at 31 December 2022 and 31 December 2021. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

KZT'000	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
<i>Placements and loans with banks and other financial institutions</i>				
Rated AAA	513,912,215	-	-	513,912,215
Rated from AA- to AA+	1,540,665,450	-	-	1,540,665,450
Rated from A to A+	559,027,841	40	-	559,027,881
Rated from BBB- to BBB+	938,896,566	-	-	938,896,566
Rated from BB- to BB+	64,657,482	-	-	64,657,482
Rated from B- to B+	166,528,384	46,725	-	166,575,109
Not rated*	213,485,209	257,152	35,615,342	249,357,703
Gross carrying amount	3,997,173,147	303,917	35,615,342	4,033,092,406
Loss allowance	(2,970,748)	(87,209)	(35,615,342)	(38,673,299)
Carrying amount	3,994,202,399	216,708	-	3,994,419,107

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

KZT'000	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities at fair value through other comprehensive income</i>				
Rated AAA	154,728,514	-	-	154,728,514
Rated from AA- to AA+	2,253,958,787	2,460,567	-	2,256,419,354
Rated from A- to A+	438,413,707	14,155,960	-	452,569,667
Rated from BBB- to BBB+	1,060,198,191	76,782,820	-	1,136,981,011
Rated from BB- to BB+	13,730,548	-	-	13,730,548
Carrying amount	3,921,029,747	93,399,347	-	4,014,429,094
Loss allowance	(403,512)	(303,943)	-	(707,455)
Carrying amount – fair value**	3,921,029,747	93,399,347	-	4,014,429,094
<i>Investment securities measured at amortised cost</i>				
Rated AAA	54,548,029	-	-	54,548,029
Rated A+	103,433,461	-	-	103,433,461
Rated from BBB- to BBB+	1,167,950,464	-	-	1,167,950,464
Rated from BB- to BB+	80,356,131	-	-	80,356,131
Gross carrying amount	1,406,288,085	-	-	1,406,288,085
Loss allowance	(253,487)	-	-	(253,487)
Carrying amount	1,406,034,598	-	-	1,406,034,598
KZT'000	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Claims 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
Not rated***	355,231,595	882,988	78,940	356,193,523
Gross carrying amount	1,061,786,141	2,214,505	140,205	1,064,140,851
Loss allowance	(52,616)	(683)	(4,340)	(57,639)
Carrying amount	1,061,733,525	2,213,822	135,865	1,064,083,212

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

KZT'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Placements and loans with banks and other financial institutions</i>				
Rated AAA	179,347,990	-	-	179,347,990
Rated from AA to AA+	1,296,052,956	4,433,850	-	1,300,486,806
Rated from A- to A+	159,399,036	-	-	159,399,036
Rated from BBB- to BBB+	856,996,771	-	-	856,996,771
Rated from BB- to BB+	86,749,813	-	-	86,749,813
Rated from B- to B+	137,023,501	-	-	137,023,501
Not rated*	175,675,559	-	44,107,393	219,782,952
Gross carrying amount	2,891,245,626	4,433,850	44,107,393	2,939,786,869
Loss allowance	(8,126,659)	(403)	(41,324,717)	(49,451,779)
Carrying amount	2,883,118,967	4,433,447	2,782,676	2,890,335,090

KZT'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Investment securities at fair value through other comprehensive income</i>				
Rated AAA	115,506,177	-	-	115,506,177
Rated from AA- to AA+	757,041,536	3,125,823	-	760,167,359
Rated from A- to A+	476,944,258	22,432,179	-	499,376,437
Rated from BBB- to BBB+	1,001,688,457	85,326,018	-	1,087,014,475
Rated from BB- to BB+	20,440,543	2,477,268	-	22,917,811
Carrying amount	2,371,620,971	113,361,288	-	2,484,982,259
Loss allowance	(280,376)	(581,549)	-	(861,925)
Carrying amount – fair value**	2,371,620,971	113,361,288	-	2,484,982,259

<i>Investment securities measured at amortised cost</i>				
Rated AAA	57,703,071	-	-	57,703,071
Rated A+	103,397,484	-	-	103,397,484
Rated from BBB- to BBB+	952,116,828	-	-	952,116,828
Rated from BB- to BB+	80,356,131	-	-	80,356,131
Gross carrying amount	1,193,573,514	-	-	1,193,573,514
Loss allowance	(224,026)	-	-	(224,026)
Carrying amount	1,193,349,488	-	-	1,193,349,488

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK REVIEW, CONTINUED

Credit quality analysis, continued

KZT'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Claims for repurchased loans</i>				
Rated BB+	462,465,123	700,945	101,558	463,267,626
Rated B+	14,578,875	45,191	-	14,624,066
Rated B	332,982,914	238,576	59,894	333,281,384
Gross carrying amount	810,026,912	984,712	161,452	811,173,076
Loss allowance	(11,249)	(136)	(9,837)	(21,222)
Carrying amount	810,015,663	984,576	151,615	811,151,854

* In 2021 Stage 1 include bonds of Fund of Problem Loans JSC (hereinafter, "FPL JSC") with no externally assigned credit rating. FPL is a 100% subsidiary of the Ministry of Finance of the Republic of Kazakhstan.

** 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.

*** The requirements for repurchased loans without a credit rating include requirements for repurchased loans of "Bereke Bank" JSC that do not have an assigned external credit rating. In 2022, the SB of "Sberbank" JSC was officially renamed to "Bereke Bank" JSC.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. NET INTEREST LOSS

	2022	2021
	KZT'000	KZT'000
Interest income calculated using the effective interest method		
Interest income on financial assets measured at amortised cost:		
- Placements and loans with banks and other financial institutions	189,359,839	160,740,368
- Investment securities measured at amortised cost	121,270,175	93,040,754
- Claims for repurchased loans	44,311,640	36,849,339
- Reverse repurchase agreements	16,112,039	3,693,327
Interest income on financial assets measured at fair value through other comprehensive income		
- Investment securities at fair value through other comprehensive income	82,434,495	57,303,861
Total interest income calculated using the effective interest method	453,488,188	351,627,649
Interest expense		
Interest expense on financial liabilities measured at amortised cost:		
- Debt securities issued	(329,107,821)	(385,170,667)
- Deposits and balances from banks and other financial institutions	(294,818,060)	(197,850,670)
- Repurchase agreements	(15,746,424)	(3,486,301)
- Deposit accounts of the Ministry of Finance of the Republic of Kazakhstan	(3,545,966)	(2,396,154)
Total interest expense on financial liabilities measured at amortised cost	(643,218,271)	(588,903,792)
	(189,730,083)	(237,276,143)

6. FEE AND COMMISSION INCOME

	2022	2021
	KZT'000	KZT'000
Pension asset management fee	14,700,604	26,372,449
Asset management fee	11,896,837	10,750,651
Depository operations and servicing of financial markets and transfer operations	4,964,428	3,005,466
	31,561,869	40,128,566

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. FEE AND COMMISSION INCOME, CONTINUED

Fee and commission income on pension asset management was received from UAPF JSC. In 2021, the condition to receive interest for excess of the target yield was abolished.

Fee and commission income on asset management operations consists of income for asset management services provided to the National Fund of the Republic of Kazakhstan and State Social Insurance Fund JSC. The NBK manages the assets of these organisations investing funds received in various financial instruments in accordance with customers' instructions.

Income on depositary operations and servicing of financial markets consists of income from core activities of Central Securities Depository JSC, Kazakhstan Stock Exchange JSC.

Income on transfer operations consists of commission income from inter-banking, money transfers and clearing operations of Kazakhstan Interbank Settlement Centre of the National Bank of Kazakhstan RSE.

7. FEE AND COMMISSION EXPENSE

	2022	2021
	KZT'000	KZT'000
Asset management services	4,401,705	3,421,317
Broker operations and account maintenance fees	1,623,719	2,726,340
Custodian services	311,388	784,276
Other	733,885	432,193
	7,070,697	7,364,126

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	KZT'000	KZT'000
Placements and loans with banks and other financial institutions measured at FVTPL - change in fair value	(49,453,214)	4,079,503
Placements and loans with banks and other financial institutions measured at FVTPL – other interest income	38,003,394	36,829,842
Assets under external management	(23,578,609)	212,576,008
Other derivative financial instruments	92,104,193	(5,152,037)
	<u>57,075,764</u>	<u>248,333,316</u>

The loss generated from change in fair value of subordinated bonds is equal to KZT 59,197,088 thousand and the gain - on deposits with banks measured at fair value is equal to KZT 9,743,874 thousand (Note 19) (2021: the gain of KZT 4,123,273 thousand and the loss of KZT 43,770 thousand, respectively).

Other interest income comprise interest income on subordinated bonds measured at fair value and deposits with banks (Note 19) in the amount of KZT 34,636,991 thousand and KZT 3,366,403 thousand, respectively (2021: KZT 33,341,220 thousand and KZT 3,488,622 thousand, respectively).

9. NET (LOSS)/GAIN ON INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	KZT'000	KZT'000
Sale of debt investment securities	(69,430,973)	17,819,146
Dividends	19,150,321	4,787,580
	<u>(50,280,652)</u>	<u>22,606,726</u>

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

10. EXPENSES ON REHABILITATION OF THE BANKING SECTOR AND THE ECONOMY

During 2022, as part of the Economics of Simple Things Program, KSF JSC purchased coupon bonds of second-tier banks for the amount of KZT 25,410,953 thousand, bearing interest rates of 10.75%-17.50% per annum, with an obligation of their repayment in 3-10 years. The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rates from 15.64% to 17.29 % per annum. The difference of KZT 658,820 thousand between the nominal value and fair value at the date of initial recognition was recognised in 2022 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

During 2022, as part of the Programme of Refinancing of Mortgage Housing Loans (Mortgage Loans), KSF JSC purchased coupon bonds of one quasi-public sector organisation for the total amount of KZT 3,349,923 thousand, bearing interest rates of 0.10%-2.99% per annum, with an obligation of their repayment in 27-30 years. The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rates of 9.37%-10.55 % per annum. The difference of KZT 2,972,167 thousand between the nominal value and fair value at the date of initial recognition was recognised in 2022 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In addition, KSF JSC made an adjustment in 2022 in respect of initial recognition of loss on coupon bonds of a quasi-public sector organisation purchased in 2021 under the Nurly Zher Programme due to the revised discount rate. This adjustment resulted in loss of KZT 5,425,064 thousand which was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In December 2022, FPL bonds acquired by KSF JSC during 2020 and 2021, were restructured and transferred to the Government organisation on a gratuitous basis. As the result of this restructuring the fair value of bonds at the date of transfer in the amount of KZT 163,404,124 thousand was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

10. EXPENSES ON REHABILITATION OF THE BANKING SECTOR AND THE ECONOMY, CONTINUED

During 2021 in accordance with the realisation of the Employment Roadmap Programme for 2020-2021 and the Nurly Zher Programme for 2020-2025 the subsidiary of the NBK, KSF JSC, purchased coupon bonds of a quasi-public sector organisation for the total amount of KZT 100,000,000 thousand and KZT 120,000,000 thousand, respectively, bearing interest rates of 7% and 4% per annum, respectively, with an obligation of their repayment in 10-12 years and 2-20 years, respectively. The National Bank recognised such bonds at fair value on initial recognition (Note 19), determined using estimated market interest rates from 9.65% to 10.77% per annum, respectively. The difference of KZT 22,424,141 thousand and KZT 59,622,346 thousand, respectively, between the nominal value and fair value at the date of initial recognition was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

Due to a significant modification of the circulation terms, the National Bank derecognised old coupon bonds and recognised new financial assets. Therefore, the fair value at initial recognition of these coupon bonds was determined using the estimated market interest rate of 13.19% per annum, which resulted in recognition of the loss of significant modification to the terms and conditions in the amount of KZT 25,697,608 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

Additionally, during 2021 in accordance with the Programme on Improving the financial stability of the banking sector, coupon bonds of a quasi-public sector organisation were purchased for the total amount of KZT 6,536,981 thousand, bearing interest rate of 10% per annum, with an obligation of their repayment in 5 years. The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rate of 14.78% per annum. The difference of KZT 1,127,162 thousand in 2021 between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

10. EXPENSES ON REHABILITATION OF THE BANKING SECTOR AND THE ECONOMY, CONTINUED

Also, during 2021 for the realisation of the Mechanism of lending to priority sectors of the economy KSF JSC purchased coupon bonds of a quasi-public sector organisation and second-tier banks for the total amount of KZT 28,207,681 thousand, bearing interest rates of 10.85% to 10.95% per annum, with an obligation of their repayment in 1-10 years. The National Bank has recognised such bonds at fair value on initial recognition (Note 19), determined using estimated market interest rates from 12.26% to 13.98% per annum. The difference of KZT 4,626,022 thousand in 2021 between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In 2021 as part of other Government programmes, KSF JSC purchased coupon bonds of quasi-public sector organisations for the total amount of KZT 1,303,774 thousand, bearing an interest rate of 0.1% per annum, with an obligation of their repayment in 30 years. The National Bank has recognised such bonds at fair value at initial recognition (Note 19), determined using estimated market interest rate of 9.70% per annum. The difference of KZT 1,217,535 thousand in 2021 between the nominal value and fair value at the date of initial recognition was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In addition, during 2021 the terms of issue of previously purchased coupon bonds of second-tier banks and quasi-public sector organisations under other government programmes of KSF JSC regarding extension of their maturity dates were changed. This restructuring has resulted in the modification loss in the amount of KZT 13,352,346 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

In 2021, the condition of the issue regarding the extension of the maturity date was changed for previously purchased subordinated bonds of a second-tier bank. This restructuring has resulted in the modification loss in the amount of KZT 109,962 thousand, which was recognised in 2021 in profit or loss as expenses on rehabilitation of the banking sector and the economy.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. OTHER OPERATING (EXPENSES)/INCOME, NET

	2022	2021
	KZT'000	KZT'000
Compensation for individuals' deposits (Note 33)	(167,962,452)	-
Deposits under the Programme of mortgage loans refinancing	(25,027,807)	(35,412,416)
Provisions for estimated liabilities (Note 33)	3,196,108	(22,406,405)
Contributions of banks participating in the guarantee system, net	42,572,918	48,760,297
Sale of collection coins and repurchase of measured bullions	2,719,181	1,826,763
Sale of printed products	1,821,845	2,331,057
Sale of medals, badges and jewellery	331,690	473,225
Rent of property and equipment	4,747	2,574
Other expenses, net	(3,281,725)	(31,671)
	<u>(145,625,495)</u>	<u>(4,456,576)</u>

According to the Order of the Ministry of Finance of the RK dated 29 December 2017, No.765 "On Further Implementation of the Programme of Refinancing of Mortgage Housing Loans/Mortgage Loans" the implementation of functions of the Programme of Refinancing of Mortgage Housing Loans/Mortgage Loans dated 24 April 2015, No.69 (hereinafter, the "Programme of Mortgage Loans Refinancing") was transferred from FPL JSC to KSF JSC without compensation. As part of this Programme of Mortgage Loans Refinancing, targeted placement of deposits is provided with the second-tier banks at the interest rates of 0.10% and 2.99% per annum and maturity of up to 20 years.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. OTHER OPERATING INCOME/(EXPENSES), NET, CONTINUED

During 2022 and 2021 KSF JSC placed deposits in certain banks with low interest rates. In 2022 the loss of KZT 14,871,685 thousand was recognised on deposits as the resulted difference between the nominal value and fair value at the date of initial recognition of these deposits calculated using the market interest rates from 10.87% to 15.00% per annum (2021: the loss of KZT 32,182,214 thousand using the interest rates from 9.6 % to 15.16% per annum).

The amount of KZT 25,027,807 thousand (2021: KZT 35,412,416 thousand) also includes reimbursement of expenses of KZT 10,156,122 thousand incurred by the second-tier banks on the state duties charged on the claims filed to the court with regard to the borrowers' loans due to refinancing of the problem loans denominated in foreign currency (2021: KZT 3,230,202 thousand).

Contributions of the banks participating in the guarantee system, net, in 2022 comprise proceeds of KDIF JSC from contributions of bank-participants, penalty and proceeds from a liquidation committee of a forcibly liquidated bank in the amount of KZT 42,573,427 thousand as well as expenses on compensation paid to depositors of forcibly liquidated banks in the amount of KZT 509 thousand (2021: from contributions of bank-participants, penalty and proceeds from a liquidation committee of a forcibly liquidated bank in the amount of KZT 55,210,836 thousand as well as expenses on compensation paid to depositors of forcibly liquidated banks in the amount of KZT 6,450,539).

12. INCOME ON RECOVERY OF ALLOWANCE FOR CREDIT LOSSES

	2022	2021
	KZT'000	KZT'000
Placements and loans with banks and other financial institutions (Note 19)	12,404,538	3,207,035
Investment securities measured at amortised cost	(29,448)	128,050
Investment securities at fair value through other comprehensive income	204,647	(216,207)
Other financial assets	(187,508)	(280,290)
Claims for repurchased loans	(36,417)	65,072
Inventories	(30,963)	(25,452)
Other non-financial assets	(8,154)	(8,159)
	12,316,695	2,870,049

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. BANKNOTES AND COINS PRODUCTION EXPENSES

	2022	2021
	KZT'000	KZT'000
Coins production	11,635,257	9,404,193
Banknotes production	5,888,364	12,677,100
Other	217,745	308,644
	17,741,366	22,389,937

Banknotes and coins production expenses for 2022 include depreciation charge of equipment of KZT 764,023 thousand (2021: KZT 685,559 thousand).

14. PERSONNEL EXPENSES

	2022	2021
	KZT'000	KZT'000
Payroll	20,040,241	13,801,036
Bonuses	6,141,238	8,612,490
Social tax	1,611,273	1,268,200
Insurance	486,195	522,667
Training	278,533	138,959
Other	94,508	54,292
	28,651,988	24,397,644

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	KZT'000	KZT'000
Information and other services	6,721,301	17,356,858
Communication	2,245,918	2,250,511
Taxes other than income tax	2,024,085	1,634,136
Gratuitous assignment of property	1,149,971	437,045
Repair and maintenance of property and equipment	1,057,106	1,271,426
Security	729,413	361,806
Business trip expenses	526,389	214,415
Property and equipment and inventories	472,887	436,100
Short-term rent expenses	421,097	559,806
Utilities	391,375	342,317
Representation expenses	376,013	216,725
Transportation	216,858	112,997
Insurance of property and equipment	64,019	61,398
Advertising, announcements and presentations in mass media	40,409	37,984
Depreciation and amortisation	-	7,074
Other	715,551	754,303
	17,152,392	26,054,901

16. INCOME TAX (EXPENSE)/BENEFIT

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.

	2022	2021
	KZT'000	KZT'000
Current income tax expense	(1,364,281)	(1,428,473)
Movement in deferred tax assets due to origination and reversal of temporary differences	(1,459,303)	20,665,909
Total income tax (expense) benefit	(2,823,584)	19,237,436

In 2022 the applicable tax rate for current and deferred tax is 20% (2021: 20%).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. INCOME TAX (EXPENSE)/BENEFIT, CONTINUED

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

	2022		2021	
	KZT'000	%	KZT'000	%
Loss before income tax	(532,595,348)		(140,005,135)	
Income tax at the applicable tax rate	106,519,070	(20.00)	28,001,027	(20.00)
Effect of non-taxable operations of the NBK	(115,272,135)	21.64	(49,077,727)	35.05
Non-taxable income on securities	7,668,247	(1.44)	11,977,907	(8.56)
Non-taxable income on activities of KDIF JSC	24,733,121	(4.64)	10,652,781	(7.61)
Non-taxable (non-deductible expenses)/income on activities of KSF JSC	(26,778,037)	5.03	17,619,298	(12.58)
Other non-taxable income	306,150	(0.06)	64,150	(0.05)
	(2,823,584)	0.53	19,237,436	(13.74)

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 2022 and 31 December 2021. Future tax benefits can be obtained only if the NBK subsidiaries are able to make a 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 NBK is not a payer of income tax.

The deductible temporary differences do not expire under 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 2022

16. INCOME TAX (EXPENSE)/BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

Movements in temporary differences during the years 2022 and 2021 are presented as follows:

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 2022

16. INCOME TAX (EXPENSE)/BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

KZT'000	Balance at 1 January 2021	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2021
Placements and loans with banks and other financial institutions	325,340,691	20,645,261	-	345,985,952
Property, plant and equipment and intangible assets	(2,627,270)	(42,708)	(223,180)	(2,893,158)
Other assets	59,807	(178,952)	-	(119,145)
Other liabilities	406,486	1,896	(730)	407,652
Tax loss carry-forwards	216,811	50,752	-	267,563
	323,396,525	20,476,249	(223,910)	343,648,864
Unrecognised deferred tax liabilities	(189,660)	189,660	-	-
Recognised deferred tax assets	323,206,865	20,665,909	(223,910)	343,648,864
Deferred tax assets	325,613,503	20,673,985	(28,558)	346,258,930
Deferred tax liabilities	(2,406,638)	(8,076)	(195,352)	(2,610,066)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. INCOME TAX (EXPENSE)/BENEFIT, CONTINUED

Deferred tax assets and liabilities, continued

As at 31 December 2022 deferred tax assets of KZT 344,980,474 thousand (31 December 2021: KZT 345,754,161 thousand) were recognised by the subsidiary of NBK, KSF JSC. Management of KFS JSC assessed the recoverability of deferred tax assets and concluded that KFS 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.

17. CASH AND CASH EQUIVALENTS

	2022	2021
	KZT'000	KZT'000
Nostro accounts in foreign banks	1,987,400,466	905,319,981
Cash on hand in foreign currency	129,948,570	112,430,324
Reverse repurchase agreements with original maturities of less than three months	273,333,783	549,162,352
Tenge denominated deposits with Kazakhstan banks with the original maturity of less than three months	-	1,182,092
Nostro accounts in Kazakhstan banks	1,087,155	805,120
Deposits in foreign banks with the original maturity of less than three months	779,329	-
Accounts with the Bank for International Settlements	88,683,899	6,268
Total cash and cash equivalents in the consolidated statement of cash flows	2,481,233,202	1,568,906,137

As at 31 December 2022 nostro accounts in foreign banks included restricted for use uninvested cash under management of NIC NBK JSC in the amount of KZT 38,754,218 thousand (31 December 2021: KZT 40,336,981 thousand) that was not included in cash equivalents.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

18. GOLD

	31 December 2022 KZT'000	31 December 2021 KZT'000
Gold bullion in NBK depository	7,329,833,253	8,195,802,264
Gold deposits with foreign banks:		
- Rated from A- to A+	419,589,510	182,371,314
Total gold on deposits with foreign banks	419,589,510	182,371,314
Gold bullion in a foreign bank depository:		
- Rated AAA	756,028,740	708,633,295
- Rated A+	1,020,086,726	1,168,152,414
Total gold bullion in a foreign bank depository	1,776,115,466	1,876,785,709
	9,525,538,229	10,254,959,287

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.

19. PLACEMENTS AND LOANS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022 KZT'000	31 December 2021 KZT'000
Placements and loans with banks and other financial institutions measured at amortised cost	3,994,419,107	2,890,335,090
Placements and loans with banks and other financial institutions measured at FVTPL	247,782,030	305,232,932
	4,242,201,137	3,195,568,022

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
MEASURED AT AMORTISED COST		
Placements with foreign banks and other financial institutions		
Nostro accounts in banks		
- Rated AAA	425,228,316	179,341,723
- Rated from AA- to AA+	827,426,986	600,419,350
- Rated from A- to A+	470,483,236	66,111,069
- Rated from BBB- to BBB+	32,514,200	6,997,256
- Rated from BB- to BB+	2,094	1,698,859
- Rated from B- to B+	123,133	109,375
- Not rated*	184,519,401	-
Gross nostro accounts in banks	1,940,297,366	854,677,632
Allowance for expected credit losses	(512,189)	(589)
Net nostro accounts in banks	1,939,785,177	854,677,043
Other accounts and deposits		
Non-invested cash under external management (Note 22)		
- Rated A+	85,857,318	90,979,330
	85,857,318	90,979,330
Quota of the National Bank in the International Monetary Fund	713,238,464	700,067,456
Receivables on foreign currencies transactions	30,824,230	30,939,624
Accounts with the Bank for International Settlements	88,683,899	6,267
Total other accounts and deposits	918,603,911	821,992,677
Total accounts and deposits in foreign banks and other financial institutions	2,858,389,088	1,676,669,720

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Nostro accounts of subsidiaries with second tier banks		
- Rated from BB- to BB+	261,701	301,676
- Rated from B to B+	825,093	503,445
- Not rated	361	-
Gross nostro accounts of subsidiaries with second tier banks	1,087,155	805,121
Allowance for expected credit losses	-	-
Net nostro accounts of subsidiaries with second tier banks	1,087,155	805,121
Placements, loans and receivables of Kazakhstan banks and other financial institutions		
Placements with banks		
- Rated BBB-	-	28,964
- Rated from BB- to BB+	64,393,686	51,916,257
- Rated from B- to B+	3,507,824	6,697,096
- Not rated	1,114,117	906,806
Gross placements with banks	69,015,627	59,549,123
Allowance for expected credit losses	(275,622)	(198,258)
Net placements with banks	68,740,005	59,350,865

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Loans issued **		
- Rated from BBB- to BBB	901,429,045	846,094,083
- Rated from BB- to BB+	-	32,833,021
- Rated from B- to B+	162,119,059	129,713,585
- Not rated	35,586,922	190,245,159
Total loans issued (Note 10)	1,099,135,026	1,198,885,848
Allowance for expected credit losses	(37,885,488)	(49,252,932)
Net loans issued	1,061,249,538	1,149,632,916
Receivables from other financial institutions		
Receivables from "UAPF" JSC	1,453,210	336,237
Receivables from Ministry of Finance of the Republic of Kazakhstan	3,500,111	3,540,231
Total receivables from other financial institutions	4,953,321	3,876,468
Total placements with banks and receivables from Kazakhstan banks and other financial institutions	1,134,942,864	1,212,860,249
Gross placements and loans with banks and other financial institutions measured at amortised cost	4,033,092,406	2,939,786,869
Total allowance for expected credit losses	(38,673,299)	(49,451,779)
Net placements and loans with banks and other financial institutions measured at amortised cost	3,994,419,107	2,890,335,090

* Nostro accounts with banks with no credit rating include balances on nostro accounts opened with the Interstate Bank, the Central Bank of the Russian Federation and the National Bank of the Republic of Belarus that have no assigned external credit rating.

** Loans issued measured at amortised cost include coupon bonds of second-tier banks and quasi-public sector organisations (Note 10).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

In December 2022 FPL bonds, purchased by KSF JSC in 2020 and 2021, were transferred to the Government on a gratuitous basis, as a result of which the fair value of the bonds as at the date of transfer was recognised in profit or loss as expenses on rehabilitation of the banking sector and the economy (Note 10).

	31 December 2022 KZT'000	31 December 2021 KZT'000
MEASURED AT FVTPL		
Placements with banks		
- Rated BB- to BB+	20,853,224	17,668,784
- Rated from B- to B+	4,632,784	20,839,528
Total placements with banks	25,486,008	38,508,312
Loans issued *		
- Rated BBB	616,998	308,533
- Rated from B- to B+	221,679,024	266,416,087
Total loans issued (Note 10)	222,296,022	266,724,620
Total placements and loans with banks and other financial institutions measured at fair value	247,782,030	305,232,932

* Loans measured at fair value through profit or loss represent subordinated bonds of banks purchased under the programme of financial support of the banking sector (Note 10). In accordance with IFRS 9, subordinated bonds were classified as mandatory at fair value through profit or loss due to non-compliance with the SPPI criterion, due to the existence of a mechanism of the exchange of subordinated debt into ordinary shares of the bank in the event of deterioration of the financial position of banks and disclosure of facts indicating assets withdrawal.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. 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 2022 and 2021 is as follows:

KZT'000	2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	8,126,659	403	41,324,717	-	49,451,779
Transfer to Stage 2	(15,294)	15,294	-	-	-
Transfer to Stage 3	(2,732,227)	-	2,732,227	-	-
Net movement in loss allowance	(8,197,869)	(267,371)	(5,709,376)	1,465,655	(12,708,961)
New financial assets originated or purchased*	304,767	-	-	-	304,767
Financial assets that have been derecognised	(344)	-	-	-	(344)
Write-offs	-	-	(2,732,227)	(1,465,655)	(4,197,882)
Foreign exchange and other movements	5,485,056	338,883	1	-	5,823,940
Balance at 31 December	2,970,748	87,209	35,615,342	-	38,673,299
KZT'000	2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Placements and loans with banks and other financial institutions					
Balance at 1 January	6,017,737	407	41,567,269	-	47,585,413
Net movement in loss allowance	(1,105,769)	1	(242,552)	(5,073,364)	(6,421,684)
New financial assets originated or purchased*	6,263,734	-	-	-	6,263,734
Financial assets that have been derecognised	(3,049,080)	(5)	-	-	(3,049,085)
Recovery of previously written-off assets	-	-	-	5,073,364	5,073,364
Foreign exchange and other movements	37	-	-	-	37
Balance at 31 December	8,126,659	403	41,324,717	-	49,451,779

* 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 2022**

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

During 2022 the loss allowance for bonds of DSFK Special Finance Company LLP was written off in the total amount of KZT 1,465,655 thousand (2021: loss allowance written off and recovered in the total amount of KZT 5,073,364 thousand).

In December 2022, FPL bonds purchased by KSF JSC in 2020 and 2021 were transferred to the Government on a gratis basis (Note 10), therefore, the loss allowance of KZT 2,732,227 thousand was written-off, and the loss allowance for these bonds decreased by KZT 3,230,490 thousand in 2022.

In 2022, a partial repayment of overdue loans of KZT 5,709,376 thousand resulted in decrease of loss allowance by KZT 5,709,376 thousand.

As at 31 December 2022 and 31 December 2021 the National Bank has no placements with a counterparty-banks in the amount exceeding 10% of equity.

As at 31 December 2022 the “nostro” accounts opened in local banks in the amounts of KZT 1,089,250 thousand (31 December 2021: KZT 805,121 thousand), belong to subsidiary companies of the NBK.

As at 31 December 2022 loans amounting to KZT 35,586,922 thousand were past due for more than 90 days (31 December 2021: KZT 41,296,297 thousand) and 100% allowance was created against these loans.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments under management at fair value through profit or loss consisted of the following at 31 December 2022 and 31 December 2021:

	31 December 2022 KZT'000	31 December 2021 KZT'000
Assets		
Assets under external management		
Hedge funds, private equity and real estate funds	1,107,977,928	964,623,156
Futures	1,458,112	600,729
Forwards	801,911	126,359
Assets under own management		
Forwards	-	51,100
Total financial instruments under management at fair value through profit or loss	<u>1,110,237,951</u>	<u>965,401,344</u>
Liabilities		
Liabilities under external management		
Forwards	(59,491)	(585,958)
Futures	(1,701,281)	(1,214,569)
Liabilities under own management		
Swap	(10,168)	(15,743)
Total financial instruments under management at fair value through profit or loss	<u>(1,770,940)</u>	<u>(1,816,270)</u>

Investments in alternative instruments 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 National Bank's gold and foreign currency reserves approved by the Resolution of the NBK dated 28 May 2018, No.100, and in accordance with the terms and conditions of the Investment Trust Management Contract No.122NB/10 dated 29 March 2013 concluded between the NBK and subsidiary NIC NBK JSC. NIC NBK JSC invests a part of the gold and foreign currency reserves of the National Bank in the alternative classes of assets through the special purpose companies and/or partnerships established to invest in hedge funds, private equity funds and real estate funds.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Investments in the hedge funds under management of NIC NBK JSC (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 2022 and 31 December 2021, 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 42).

Investments in private equity funds

Investments in the private equity funds under management of NIC NBK JSC (hereinafter, the “Private Equity Portfolio”) 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 the share capital or securities of the invested companies. Investment funds may be established in the form of the companies or partnerships. The Private Equity Portfolio comprises the funds investing in different sectors and different regions. As at 31 December 2022 participation in direct investments in the sectors of information technology, consumer goods and services, health care, industrial and financial sectors, accounts for a major part in the Portfolio. A majority of investments falls in North America and Western Europe. US dollar is a major currency of investments in the funds; however, there are investments denominated in euro and British pounds (Note 42).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Investments in the real estate funds under management of NIC NBK JSC (hereinafter, the “real estate portfolio”) comprise investment in the funds through the structure of the fund of funds made to earn income from rent payment and/or increase cost of real estate. Investment funds may be established in the form of the companies or partnerships. Real estate portfolio comprises the funds investing in various types of buildings in various regions. Investing in real estate commenced in 2018. As at 31 December 2022 a majority of investments in real estate portfolio falls in North America, Europe, and Asia. US dollar is a major currency of investments in the real estate funds; however, there are investments denominated in euro and Japanese yen (Note 42).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. FINANCIAL INSTRUMENTS UNDER MANAGEMENT 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 2022 and 31 December 2021 with details of the contracted weighted average exchange rates and remaining periods to maturity.

	Contract/notional amount KZT'000		Weighted-average contracted futures prices/exchange rates			
	2022	2021	2022	2021		
Swap						
for the period less than 3 months						
Buy USD to KZT	-	-	19,862,800	(19,878,543)	-	432.14
Buy KZT to USD	78,394,202	(78,404,370)	-	-	462.59	
Forwards						
for the period less than 3 months						
Buy USD to CAD	17,734,696	(17,534,915)	20,067,576	(20,237,045)	1.34	1.27
Buy CHF to USD	4,887,496	(4,821,666)	6,209,133	(6,150,689)	1.06	1.09
Buy JPY to USD	3,871,010	(3,847,605)	4,451,135	(4,525,927)	0.0074	0.0088
Buy USD to GBP	3,558,660	(3,508,366)	3,887,269	(3,947,694)	0.82	0.75
Buy CAD to USD	3,573,468	(3,616,767)	3,184,244	(3,140,255)	0.74	0.78
Buy USD to JPY	2,472,793	(2,110,234)	-	-	114.20	-
Buy EUR to USD	2,274,202	(2,251,931)	256,483	(256,464)	0.95	1.14
Buy EUR to USD	2,162,731	(2,144,045)	88,329,630	(88,278,530)	1.05	1.13
Buy JPY to USD	1,618,207	(1,570,611)	1,848,827	(1,889,917)	0.0072	0.0089
Buy USD to GBP	1,377,082	(1,374,021)	-	-	0.83	-
Buy AUD to USD	971,541	(963,113)	-	-	0.67	-
Buy USD to CHF	903,710	(918,170)	-	-	0.94	-
Buy AUD to USD	218,842	(220,574)	878,123	(866,531)	0.68	0.72
Buy CHF to USD	-	-	1,941,196	(1,928,880)	-	1.09
Buy USD to EUR	-	-	7,231,004	(7,326,989)	-	0.89
Buy USD to EUR	-	-	7,992,240	(8,079,508)	-	0.89
Buy CAD to USD	-	-	92,290	(92,298)	-	0.79
Buy GBP to USD	-	-	395,382	(399,172)	-	1.34
Buy USD to AUD	-	-	2,966,760	(3,013,887)	-	1.40
Buy USD to EUR	-	-	2,105,733	(2,111,738)	-	0.88
Total	45,624,438	(44,882,018)	151,837,025	(152,245,524)		
Futures						
for the period less than 3 months						
Contract in USD	119,889,736	(119,716,044)	165,804,919	(166,370,592)	1.00	1.00
Contract in EUR	30,494,723	(31,016,341)	36,367,129	(36,200,675)	0.94	0.88
Contract in JPY	502,064	(512,146)	568,421	(569,790)	134.23	115.16
Contract in GBP	4,516,665	(4,635,297)	6,003,688	(5,983,154)	0.83	0.74
Contract in CAD	9,707,107	(9,473,636)	11,040,710	(11,271,031)	1.36	1.26
Contract in AUD	980,853	(980,853)	4,156,145	(4,159,610)	1.48	1.38
Total	166,091,148	(166,334,317)	223,941,012	(224,554,852)		
Total	290,109,788	(289,620,705)	395,640,837	(396,678,919)		

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. REVERSE REPURCHASE AGREEMENTS

	31 December 2022 KZT'000	31 December 2021 KZT'000
- not rated	<u>273,333,783</u>	<u>549,162,352</u>
	<u>273,333,783</u>	<u>549,162,352</u>

As at 31 December 2022 the financial assets accepted as collateral under reverse repurchase agreements comprised debt securities of KSF JSC, treasury bills of the Ministry of Finance of the Republic of Kazakhstan, bonds of the Eurasian Development Bank. As at 31 December 2022 the fair value of these financial assets is KZT 273,067,981 thousand (31 December 2021: KZT 525,082,835 thousand).

During 2022 not rated reverse repo transactions of KZT 273,333,783 thousand were entered in the auto repo market of KASE JSC (31 December 2021: KZT 549,162,352 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Debt instruments		
Investments in foreign securities		
Government bonds		
US Government Treasury bonds	1,856,658,967	367,400,918
German Government bonds	168,485,682	20,419,494
British Government Treasury bonds	116,825,072	94,528,537
Luxembourg Government bonds	67,936,975	41,968,339
Qatari Government bonds	66,682,768	78,436,530
French Government bonds	59,480,853	47,333,775
Australian Government Treasury bonds	50,060,424	41,314,600
Polish Government Treasury bonds	45,337,649	22,413,147
Indonesian Government bonds	44,383,271	64,209,173
Canadian Government Treasury bonds	33,105,271	33,965,774
UAE Government bonds	32,058,918	70,711,489
Peru Government bonds	31,999,398	55,363,934
Mexican Government bonds	29,590,623	62,042,682
Chilean Government bonds	29,180,153	55,316,758
Singapore Government bonds	27,420,629	1,833,295
Columbian Government bonds	17,394,505	77,026,848
Japanese Government Treasury bonds	16,337,802	14,875,956
Korean Government Treasury bonds	12,531,985	9,253,326
Panama Government bonds	12,213,870	14,443,058
Philippine Government bonds	11,886,623	34,495,560
Paraguay Government bonds	9,270,843	9,188,571
Chinese Government bonds	9,057,581	10,159,459
Romanian Government bonds	8,545,613	7,988,611
Hongkong Government bonds	4,341,958	1,345,301
Malaysian Government bonds	2,746,572	3,673,289
Swiss Government bonds	2,449,863	-
Irish Government bonds	2,211,214	2,749,887
Spanish Government bonds	2,094,331	4,983,626

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
Dutch Government bonds	2,044,092	-
Saudi Arabia Government bonds	1,908,439	2,124,478
Cayman Government bonds	-	5,420,369
Italian Government bonds	-	1,691,793
Israeli Government bonds	-	146,397
Total government bonds	2,774,241,944	1,256,824,974
Debt securities of international governmental and nongovernmental financial institutions		
- Rated AAA	42,817,363	26,215,030
- Rated AA+	12,920,155	17,165,528
- Rated AA	25,196,917	27,166,667
- Rated AA-	12,126,832	6,477,459
- Rated A+	26,797,238	32,658,507
- Rated A	10,926,755	14,892,339
- Rated A-	3,666,819	-
- Rated BBB+	4,731,765	5,511,639
- Rated BBB-	-	9,849,890
Total investments in debt securities of international governmental and nongovernmental financial institutions	139,183,844	139,937,059

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
22. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

	31 December 2022 KZT'000	31 December 2021 KZT'000
Corporate bonds of international companies		
- Rated AAA	3,444,976	4,038,787
- Rated from AA- to AA+	49,264,221	35,551,105
- Rated from A- to A+	264,197,328	271,559,264
- Rated from BBB- to BBB+	334,853,625	380,112,302
- Rated from BB- to BB+	4,459,707	13,729,240
Total investments in corporate bonds of international companies	656,219,857	704,990,698
Total investments in foreign securities	3,569,645,645	2,101,752,731
Investments in Kazakhstan securities		
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	439,008,363	242,337,920
Pledged under sale and repurchase agreements		
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	5,775,086	140,891,608
Total investments in Kazakhstan securities	444,783,449	383,229,528
Total debt investments	4,014,429,094	2,484,982,259
Equity instruments		
Shares of NC "KazMunayGas" JSC	541,967,520	750,000,000
Corporate shares	2,046,286	26,432,358
Total equity investments	544,013,806	776,432,358
Gross investment securities measured at fair value through other comprehensive income	4,558,442,900	3,261,414,617
Allowance for expected credit losses	(707,455)	(861,925)
Total investment securities measured at fair value through other comprehensive income*	4,558,442,900	3,261,414,617

* 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.

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 2022 the bonds of the Ministry of Finance of the Republic of Kazakhstan with market value of KZT 5,775,086 (31 December 2021: KZT 140,891,608 thousand) are subject to a registered debenture to secure the repurchase agreements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

As at 31 December 2022 a portion of investment securities measured at fair value through other comprehensive income was under the management of six (31 December 2021: six) foreign asset management organisations. Depending on the mandate the managers invest into fixed income and equity instruments and are also allowed to use derivative instruments.

The portfolios under external management pursue the following investment strategies:

External manager	31 December 2022 KZT'000	31 December 2021 KZT'000	Strategy	Index
				MSCI ACWI Investable Market Net Total Return Index (M1WDIM) - 80%
National Investment Corporation of the NBK JSC	114,110,875	175,216,070	Alternative instruments	Barclays Global Aggregate Bond Index (LEGATRUH) - 20%
Amundi Corporate Bonds	114,229,400	115,385,963	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

External manager	31 December 2022 KZT'000	31 December 2021 KZT'000	Strategy	Index
Nomura Asset Management U.K. Limited	338,847,947	356,234,813	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Wellington	109,060,452	111,175,717	Global corporate bonds of investment grade	ICE BofAML Q847 Custom Index
Aviva Investors Global Services Limited	379,284,163	389,975,068	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
Deutsche Asset Management International GmbH	325,662,207	326,871,724	Bonds of emerging markets in hard currency	ICE BofAML Q846 Custom Index
Total assets under external management	<u>1,381,195,044</u>	<u>1,474,859,355</u>		

As at 31 December 2022 uninvested balances equivalent to KZT 85,857,318 thousand (31 December 2021: KZT 90,979,330 thousand), related to portfolios under external management are presented within "placements with banks and other financial institutions" (Note 19).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. 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	2022			Total
	Stage 1	Stage 2	Stage 3	
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
KZT'000	2021			Total
	Stage 1	Stage 2	Stage 3	
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	551,518	79,088	-	630,606
- Transfer to Stage 1	21,303	(21,303)	-	-
- Transfer to Stage 2	(18,050)	18,050	-	-
Net remeasurement of loss allowance	(228,858)	485,994	-	257,136
New financial assets originated or purchased	203,190	109,001	-	312,191
Financial assets that have been derecognised	(256,016)	(97,104)	-	(353,120)
Foreign exchange and other movements	7,289	7,823	-	15,112
Balance at 31 December	280,376	581,549	-	861,925

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Unquoted equity instruments

Investment securities measured at fair value through other comprehensive income comprise ordinary shares of NC “KazMunayGas” JSC for KZT 541,967,520 thousand in 2022 (KZT 750,000,000 thousand in 2021). In 2021 said shares were accounted for at nominal value, the fair value of which could not be determined reliably. In 2022 NC “KazMunayGas” JSC held an IPO with a listing on local stock exchanges of the Republic of Kazakhstan. Due to emergence of an active market, these shares are currently remeasured on a daily basis through these stock exchanges. At 31 December 2022 the NBK has remeasured the shares for the amount of KZT 208,032,480 thousand through other comprehensive income.

23. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	31 December 2022 KZT'000	31 December 2021 KZT'000
Investments in foreign securities		
Eurobonds rated AAA	50,066,147	49,052,000
Government bonds rated A+	95,191,916	103,397,484
Rated agency bonds	8,241,545	-
Corporate bonds rated AAA	4,481,882	8,651,071
	157,981,490	161,100,555
Allowance for expected credit losses	(37,687)	(40,588)
Carrying amount of investments in foreign securities	157,943,803	161,059,967
Investments in Kazakhstan securities		
Bonds of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	1,098,743,044	862,325,244
Securities of second-tier banks and other organisations	149,563,551	154,704,960
Municipal bonds of Akimat of Almaty city	-	15,442,755
	1,248,306,595	1,032,472,959
Allowance for expected credit losses	(215,800)	(183,438)
Carrying amount of investments in Kazakhstan securities	1,248,090,795	1,032,289,521
Gross investment securities	1,406,288,085	1,193,573,514
Allowance for expected credit losses	(253,487)	(224,026)
Total investment securities	1,406,034,598	1,193,349,488

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. INVESTMENT SECURITIES MEASURED AT AMORTISED COST, CONTINUED

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for investment securities measured at amortised cost for 2022 and 2021 is as follows:

	2022	2021
	KZT'000	KZT'000
	Stage 1	Stage 1
Investment securities measured at amortised cost		
Balance at 1 January	224,026	352,060
Net remeasurement of loss allowance	29,448	(134,070)
New financial assets originated or purchased	26	6,072
Financial assets that have been derecognised	(26)	(52)
Foreign exchange and other movements	13	16
Balance at 31 December	253,487	224,026

As at 31 December 2022 and 31 December 2021 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 2022

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

KZT'000	Land, buildings and structures	Furniture and equipment	Computer equipment	Vehicles	Right-of-use asset	Construction in progress/ equipment not yet installed	Intangible assets	Total
Historical/revalued cost								
Balance as at 1 January 2022	39,808,215	36,336,148	7,412,270	3,198,550	3,635,124	6,243,915	12,224,653	108,858,875
Additions	190,462	3,556,230	2,721,354	-	1,591,403	4,748,540	5,945,317	18,753,306
Disposals	(1,206,263)	(206,005)	(57,296)	(10,945)	-	(32,160)	(85,270)	(1,597,939)
Write-offs	(16,787)	(600,986)	-	-	-	-	(309,925)	(927,698)
Transfers	904,854	92	266,926	-	-	(1,171,872)	-	-
Balance at 31 December 2022	39,680,481	39,085,479	10,343,254	3,187,605	5,226,527	9,788,423	17,774,775	125,086,544
Depreciation and amortisation and impairment losses								
Balance as at 1 January 2022	160,970	17,169,764	3,895,037	271,026	2,221,267	-	4,513,817	28,231,881
Depreciation and amortisation for the year	1,189,809	2,351,998	1,150,999	448,763	1,413,857	-	4,342,337	10,897,763
Disposals	(268,127)	(202,004)	(57,050)	(10,945)	-	-	(34,996)	(573,122)
Write-offs	(16,787)	(600,986)	-	-	-	-	(309,925)	(927,698)
Balance at 31 December 2022	1,065,865	18,718,772	4,988,986	708,844	3,635,124	-	8,511,233	37,628,824
Carrying amount								
Balance at 31 December 2022	38,614,616	20,366,707	5,354,268	2,478,761	1,591,403	9,788,423	9,263,542	87,457,720

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, CONTINUED

KZT'000	Land, buildings and structures	Furniture and equipment	Computer equipment	Vehicles	Right-of-use asset	Construction in progress/ equipment not yet installed	Intangible assets	Total
Historical/revalued cost								
Balance as at 1 January 2021	35,230,990	35,449,509	7,280,108	2,600,893	2,809,726	4,648,960	8,702,702	96,722,888
Additions	889,186	1,987,962	336,992	-	825,398	2,767,984	4,996,380	11,803,902
Disposals	(161,093)	(542,324)	(3,869)	(53,640)	-	-	(495,975)	(1,256,901)
Write-offs	(1,665,784)	(1,083,011)	(372,354)	(605,397)	-	(27,344)	(978,454)	(4,732,344)
Revaluation	5,064,636	-	-	1,256,694	-	-	-	6,321,330
Transfers	450,280	524,012	171,393	-	-	(1,145,685)	-	-
Balance at 31 December 2021	39,808,215	36,336,148	7,412,270	3,198,550	3,635,124	6,243,915	12,224,653	108,858,875
Depreciation and amortisation and impairment losses								
Balance as at 1 January 2021	1,190,489	16,324,406	3,369,269	657,450	805,439	-	4,040,658	26,387,711
Depreciation and amortisation for the year	776,170	2,459,153	901,148	262,119	1,415,828	-	1,617,062	7,431,480
Disposals	(139,905)	(542,324)	(3,869)	(53,640)	-	-	(482,225)	(1,221,963)
Write-offs	(1,665,784)	(1,071,471)	(371,511)	(594,903)	-	-	(661,678)	(4,365,347)
Balance at 31 December 2021	160,970	17,169,764	3,895,037	271,026	2,221,267	-	4,513,817	28,231,881
Carrying amount								
Balance at 31 December 2021	39,647,245	19,166,384	3,517,233	2,927,524	1,413,857	6,243,915	7,710,836	80,626,994

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2022 and 2021.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, CONTINUED

Depreciation expenses in the amount of KZT 6,963,352 thousand (2021: 5,163,179 thousand) were included in depreciation and amortisation expenses, KZT 0 thousand (2021: KZT 7,074 thousand) – in other general and administrative expenses, KZT 764,023 thousand (2021: KZT 685,559 thousand) – in expenses for the issuance of banknotes and coins, KZT 724,649 thousand (2021: KZT 555,608 thousand) – in fee and commission expenses, KZT 2,445,739 thousand (2021: KZT 1,020,060 thousand) – in other net operating (expenses)/income.

Revalued assets

As at 31 December 2022 buildings, constructions and vehicles owned by the National Bank were not revalued.

During 2021, land plots, buildings, structures and vehicles owned by the National Bank were revalued.

The fair values of the National Bank's land plots, buildings, structures and vehicles are categorised into Level 2 of the fair value hierarchy.

Should the land plots, buildings, constructions and vehicles not be revalued, then their carrying amounts as at 31 December 2022 would have been KZT 14,074,100 thousand (31 December 2021: KZT 13,408,388 thousand).

25. OTHER ASSETS

	31 December 2022 KZT'000	31 December 2021 KZT'000
Claims for repurchased loans	1,064,140,851	811,173,076
Other receivables	19,668,751	18,889,860
Gross other financial assets	1,083,809,602	830,062,936
Allowance for expected credit losses on claims on repurchased loans	(57,639)	(21,222)
Charge of allowance for expected credit losses on other financial assets	(934,820)	(807,730)
Allowance for expected credit losses	(992,459)	(828,952)
Total other financial assets	1,082,817,143	829,233,984
Inventories	24,614,292	17,367,670
Refined and non-refined precious metals and stones	5,731,482	4,439,518
Prepayments for property, plant and equipment	14,105,588	17,684,438
Prepayment for banknotes and coins production	183,846	6,110
Other	1,174,862	405,057
Total other non-financial assets	45,810,070	39,902,793
Total other assets	1,128,627,213	869,136,777

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. OTHER ASSETS, CONTINUED

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 2022 KSF JSC purchased mortgage loan portfolios from nine second-tier banks (2021: KSF JSC purchased mortgage loan portfolios from nine second-tier banks).

As at 31 December 2022 the volume of claims on repurchased loans was KZT 1,064,140,851 thousand (2021: KZT 811,173,076 thousand). As at 31 December 2022 the allowance for expected credit losses on claims on repurchased loans amounted to KZT 57,639 thousand (31 December 2021: KZT 21,222 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.

Analysis of allowance for expected credit losses

Movement in allowance for expected credit losses for repurchased loans for 2022 and 2021 is as follows:

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. OTHER ASSETS, CONTINUED

Analysis of allowance for expected credit losses, continued

KZT'000	2021			Total
	Stage 1	Stage 2	Stage 3	
Claims for repurchased loans				
Balance at 1 January	68,860	2,498	14,936	86,294
Transfer to Stage 1	3,640	(1,767)	(1,873)	-
Transfer to Stage 2	(68)	68	-	-
Transfer to Stage 3	(16)	-	16	-
Net remeasurement of loss allowance	(58,383)	5	4,504	(53,874)
New financial assets originated or purchased	4,880	40	2,066	6,986
Financial assets that have been derecognised	(7,664)	(708)	(9,812)	(18,184)
Balance at 31 December	11,249	136	9,837	21,222

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
25. 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 2022 and 2021 is as follows:

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
	31 December 2021			
KZT'000	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance at 1 January	209,502	12,229	324,984	546,715
Net remeasurement of loss allowance	167,629	(11,141)	123,802	280,290
Write-offs	(19,275)	-	-	(19,275)
Balance at 31 December	357,856	1,088	448,786	807,730

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. OTHER ASSETS, CONTINUED

Credit quality analysis

The following table sets out information about the credit quality of other financial assets measured at amortised cost for 2022 and 2021:

KZT'000	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Not overdue	1,083,035,219	-	-	1,083,035,219
Overdue 31-90 days	8	22,888	-	22,896
Overdue 91-180 days	-	-	194,603	194,603
Overdue 181-360 days	-	-	556,884	556,884
Gross carrying amount	1,083,035,227	22,888	751,487	1,083,809,602
Loss allowance	(462,821)	(1,859)	(527,779)	(992,459)
Carrying amount	1,082,572,406	21,029	223,708	1,082,817,143
KZT'000	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Not overdue	829,485,067	-	-	829,485,067
Overdue 31-90 days	-	18,175	-	18,175
Overdue 91-180 days	-	-	15,893	15,893
Overdue 181-360 days	-	-	543,801	543,801
Gross carrying amount	829,485,067	18,175	559,694	830,062,936
Loss allowance	(369,105)	(1,224)	(458,623)	(828,952)
Carrying amount	829,115,962	16,951	101,071	829,233,984

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. CURRENCY IN CIRCULATION

	31 December 2022	31 December 2021
	KZT'000	KZT'000
Banknotes and coins in circulation	3,825,808,192	3,453,582,980
Less banknotes and coins on hand	(1,502,886)	(1,362,862)
	<u>3,824,305,306</u>	<u>3,452,220,118</u>

27. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
	KZT'000	KZT'000
Deposits and balances from foreign banks and other financial institutions		
Current accounts of international financial organisations	591,226,976	580,310,854
OECD based banks	25,873	2,156,666
Other foreign banks	64,120,138	3,767,767
Total deposits and balances from foreign banks and other financial institutions	<u>655,372,987</u>	<u>586,235,287</u>
Deposits and balances from Kazakhstan banks and other financial institutions		
Loro accounts		
Kazakhstan 10 top banks*	1,740,345,445	1,558,315,077
Other Kazakhstan banks and financial institutions	875,658,046	705,385,374
Deposits		
Kazakhstan 10 top banks*	3,673,546,431	3,410,208,174
Other Kazakhstan banks and financial institutions	1,320,135,657	937,270,631
Total deposits and balances from Kazakhstan banks	<u>7,609,685,579</u>	<u>6,611,179,256</u>
Total deposits and balances from banks and other financial institutions	<u>8,265,058,566</u>	<u>7,197,414,543</u>

* based on total assets as at 31 December 2022.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

27. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

As at 31 December 2022 the National Bank has five counterparties (31 December 2021: five counterparties), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KZT 4,202,658,543 thousand (31 December 2021: KZT 4,126,961,332 thousand).

As at 31 December 2022 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 591,220,135 thousand (31 December 2021: KZT 580,302,377 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).

In February 2022 the National Bank and the Government of the Republic of Kazakhstan announced a programme of protection of KZT-denominated deposits. In accordance with Joint Commitment of the Government and the National Bank, a one-off premium (compensation) of 10% of a deposit amount shall be accrued by the government on KZT-denominated deposits in addition to the interest paid by the banks. The programme objective was to support Kazakhstani depositors and ensure stability of the financial system.

The commitment was fulfilled on 16 March 2023 (Note 43).

28. REPURCHASE AGREEMENTS

In December 2022, the National Bank concluded repurchase agreements in the auto repo market of KASE JSC in the amount of KZT 6,058,903 thousand (31 December 2021: KZT 150,097,813 thousand).

As at 31 December 2022, the fair value of financial assets collateralising repurchase agreements is KZT 5,775,086 thousand (31 December 2021: KZT 140,891,608 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

As at 31 December 2022 current accounts of the National Fund of the Republic of Kazakhstan (the “National Fund”) amounted to KZT 118,615,388 thousand (31 December 2021: KZT 1,062,130,685 thousand).

During 2022 and 2021 the National Bank 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 current accounts of the National Fund in NBK.

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
In national currency	1,641,506,949	901,426,804
In foreign currency	174,160,746	3,501,215
	<u>1,815,667,695</u>	<u>904,928,019</u>

31. CUSTOMER ACCOUNTS

	31 December 2022 KZT'000	31 December 2021 KZT'000
In national currency	335,214,384	206,753,402
In foreign currency	224,738	178,720
	<u>335,439,122</u>	<u>206,932,122</u>

During 2022 and 2021 the National Bank 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 2022 customer accounts included one customer with a balance exceeding 2% of equity (31 December 2021: no customers).

As at 31 December 2022 debt securities issued comprise the following issues:

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEBT SECURITIES ISSUED

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			

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	27/02/2020	27/02/2023	10.75
KZ2C00006484	15,591,067	27/02/2020	27/02/2023	11.50
KZ2C00006484	2,131,693	27/02/2020	27/02/2023	11.55
KZ2C00006484	7,068,147	27/02/2020	27/02/2023	11.45
KZ2C00006484	7,462,534	27/02/2020	27/02/2023	11.43
KZ2C00006484	5,330,642	27/02/2020	27/02/2023	11.37
KZ2C00006484	2,132,365	27/02/2020	27/02/2023	11.35
KZ2C00006484	6,397,446	27/02/2020	27/02/2023	11.32
KZ2C00006484	5,331,260	27/02/2020	27/02/2023	11.29
KZ2C00006484	5,331,265	27/02/2020	27/02/2023	11.30
KZ2C00006484	3,199,946	27/02/2020	27/02/2023	11.06
KZ2C00006484	6,399,865	27/02/2020	27/02/2023	11.06
KZ2C00006484	5,333,396	27/02/2020	27/02/2023	11.03
KZ2C00006484	10,666,704	27/02/2020	27/02/2023	11.05
KZ2C00006484	2,529,869	27/02/2020	27/02/2023	11.05
KZ2C00006476	5,015,900	10/04/2020	10/04/2025	11.52
KZ2C00006476	6,530,221	10/04/2020	10/04/2025	11.44
KZ2C00006476	3,016,452	10/04/2020	10/04/2025	11.39
KZ2C00006476	5,027,969	10/04/2020	10/04/2025	11.37
KZ2C00006476	3,018,701	10/04/2020	10/04/2025	11.35
KZ2C00006476	3,019,631	10/04/2020	10/04/2025	11.33
KZ2C00006476	5,033,917	10/04/2020	10/04/2025	11.32
KZ2C00006476	504,469	10/04/2020	10/04/2025	11.20
KZ2C00006476	5,045,920	10/04/2020	10/04/2025	11.19
KZ2C00006476	3,033,540	10/04/2020	10/04/2025	11.08
KZ2C00006476	11,120,128	10/04/2020	10/04/2025	11.10
KZ2C00006955	6,743,520	11/09/2020	11/09/2025	11.22
KZ2C00006955	6,742,246	11/09/2020	11/09/2025	11.29
KZ2C00006955	15,422,420	11/09/2020	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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00007110	4,842,521	11/12/2020	11/12/2025	11.02
KZ2C00007110	9,695,542	11/12/2020	11/12/2025	10.98
KZ2C00007110	9,299,761	11/12/2020	11/12/2025	10.72
KZ2C00007110	4,466,999	11/12/2020	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	22/01/2021	22/01/2026	10.60
KZ2C00007318	9,458,921	22/01/2021	22/01/2026	15.75
KZ2C00007318	9,458,833	22/01/2021	22/01/2026	15.75
KZ2C00007318	27,181,973	22/01/2021	22/01/2026	17.72
KZ2C00007300	10,792,174	29/01/2021	29/01/2024	10.32
KZ2C00007300	5,399,160	29/01/2021	29/01/2024	10.26
KZ2C00007300	10,805,429	29/01/2021	29/01/2024	10.18
KZ2C00007300	10,814,545	29/01/2021	29/01/2024	10.10
KZ2C00007300	20,579,520	29/01/2021	29/01/2024	15.78
KZ2C00007300	15,433,881	29/01/2021	29/01/2024	15.78
KZ2C00007300	10,147,753	29/01/2021	29/01/2024	17.42
KZ2C00007300	2,638,178	29/01/2021	29/01/2024	17.43
KZ2C00007300	13,191,772	29/01/2021	29/01/2024	17.43
KZ2C00007326	31,340,069	12/02/2021	12/02/2028	10.53
KZ2C00007326	20,968,139	12/02/2021	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	21/01/2022	21/01/2023	14.55
KZ2C00008001	10,300,360	03/06/2022	03/06/2023	14.93
KZ2C00008001	15,453,176	03/06/2022	03/06/2023	14.89
KZ2C00008001	5,151,463	03/06/2022	03/06/2023	14.87
KZ2C00007995	10,244,840	17/06/2022	17/06/2023	14.93
KZ2C00007995	10,247,303	17/06/2022	17/06/2023	14.86
KZ2C00007995	10,248,604	17/06/2022	17/06/2023	14.84
KZ2C00008670	10,137,541	15/07/2022	15/07/2023	14.87
KZ2C00008670	3,852,568	15/07/2022	15/07/2023	14.88

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00008670	9,096,252	15/07/2022	15/07/2023	15.48
KZ2C00008670	10,108,260	15/07/2022	15/07/2023	15.47
KZ2C00008688	9,974,625	19/08/2022	19/08/2023	15.44
KZ2C00008688	9,969,041	19/08/2022	19/08/2023	15.54
KZ2C00008688	15,538,269	19/08/2022	19/08/2023	15.54
KZ2C00008696	9,845,366	16/09/2022	16/09/2023	15.84
KZ2C00008696	7,483,666	16/09/2022	16/09/2023	15.81
KZ2C00008696	7,388,059	16/09/2022	16/09/2023	15.75
KZ2C00008696	2,462,688	16/09/2022	16/09/2023	15.75
KZ2C00008696	12,093,814	16/09/2022	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	04/11/2022	04/11/2024	17.59
KZ2C00008704	2,388,515	04/11/2022	04/11/2023	17.36
KZ2C00008704	9,545,265	04/11/2022	04/11/2023	17.46
KZ2C00008704	9,506,019	04/11/2022	04/11/2023	18.01
KZ2C00008704	16,649,811	04/11/2022	04/11/2023	17.94
KZ2C00008712	8,383,562	11/11/2022	11/11/2023	17.35
KZ2C00008712	4,765,742	11/11/2022	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	29/09/2022	29/09/2025	16.53
KZ2C00008910	3,091,884	29/09/2022	29/09/2025	16.76
KZ2C00008910	3,265,010	29/09/2022	29/09/2025	17.27
KZ2C00008910	10,193,450	29/09/2022	29/09/2025	17.30
KZ2C00008928	10,170,670	25/11/2022	25/11/2027	17.59
KZ2C00008928	20,279,699	25/11/2022	25/11/2027	17.80

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00008928	10,108,700	25/11/2022	25/11/2027	18.70
KZ2C00008951	10,171,563	25/11/2022	25/11/2029	17.68
KZ2C00008951	20,267,627	25/11/2022	25/11/2029	17.90
KZ2C00008951	10,058,833	25/11/2022	25/11/2029	18.90
KZ2C00008902	20,275,929	02/12/2022	02/12/2025	14.66
KZ2C00008902	10,114,155	02/12/2022	02/12/2025	19.13
KZ2C00008902	10,114,251	02/12/2022	02/12/2025	19.01
	1,179,467,629			
	3,424,605,376			

As at 31 December 2021 debt securities issued comprise the following issues:

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZW100012977	104,052,707	23/07/2021	21/01/2022	9.18
KZW100013033	103,423,789	20/08/2021	18/02/2022	9.44
KZW100013108	102,542,141	24/09/2021	25/03/2022	9.59
KZW100013132	216,562,125	15/10/2021	14/01/2022	9.59
KZW100013157	49,647,133	22/10/2021	22/04/2022	9.70
KZW100013181	225,881,870	05/11/2021	04/02/2022	9.81
KZW100013215	101,117,431	19/11/2021	20/05/2022	9.84
KZW100013249	301,605,042	08/12/2021	05/01/2022	9.68
KZW100013256	234,076,090	10/12/2021	11/03/2022	9.80
KZW100013264	223,687,108	15/12/2021	12/01/2022	9.73
KZW100013272	175,309,131	22/12/2021	19/01/2022	9.75
KZW100013280	55,307,227	24/12/2021	24/06/2022	9.96
KZW100013298	217,698,645	29/12/2021	26/01/2022	9.74
	2,110,910,439			

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00006336	5,170,027	26/12/2019	26/12/2022	10.79
KZ2C00006336	16,122,416	26/12/2019	26/12/2022	10.75
KZ2C00006336	8,135,514	26/12/2019	26/12/2022	10.75
KZ2C00006484	14,849,338	27/02/2020	27/02/2023	10.75
KZ2C00006484	6,497,161	27/02/2020	27/02/2023	10.75
KZ2C00006484	15,216,324	27/02/2020	27/02/2023	11.48
KZ2C00006484	2,079,609	27/02/2020	27/02/2023	11.55
KZ2C00006484	6,900,896	27/02/2020	27/02/2023	11.45
KZ2C00006484	7,288,542	27/02/2020	27/02/2023	11.43
KZ2C00006484	5,207,706	27/02/2020	27/02/2023	11.37
KZ2C00006484	2,083,751	27/02/2020	27/02/2023	11.35
KZ2C00006484	6,253,416	27/02/2020	27/02/2023	11.32
KZ2C00006484	5,211,522	27/02/2020	27/02/2023	11.29
KZ2C00006484	5,211,552	27/02/2020	27/02/2023	11.30
KZ2C00006484	3,134,278	27/02/2020	27/02/2023	11.06
KZ2C00006484	6,268,390	27/02/2020	27/02/2023	11.06
KZ2C00006484	5,224,749	27/02/2020	27/02/2023	11.03
KZ2C00006484	10,448,950	27/02/2020	27/02/2023	11.05
KZ2C00006484	2,478,186	27/02/2020	27/02/2023	10.99
KZ2C00006476	4,910,376	10/04/2020	10/04/2025	11.52
KZ2C00006476	6,396,369	10/04/2020	10/04/2025	11.44
KZ2C00006476	2,955,548	10/04/2020	10/04/2025	11.39
KZ2C00006476	4,926,655	10/04/2020	10/04/2025	11.37
KZ2C00006476	2,958,583	10/04/2020	10/04/2025	11.35
KZ2C00006476	2,959,840	10/04/2020	10/04/2025	11.33
KZ2C00006476	4,934,685	10/04/2020	10/04/2025	11.32
KZ2C00006476	494,923	10/04/2020	10/04/2025	11.20
KZ2C00006476	4,950,900	10/04/2020	10/04/2025	11.19
KZ2C00006476	2,978,639	10/04/2020	10/04/2025	11.12
KZ2C00006476	10,917,815	10/04/2020	10/04/2025	11.10
KZ2C00006948	7,072,033	04/09/2020	04/09/2022	10.93
KZ2C00006948	7,071,499	04/09/2020	04/09/2022	10.97
KZ2C00006948	5,050,972	04/09/2020	04/09/2022	10.97
KZ2C00006948	5,050,913	04/09/2020	04/09/2022	10.97
KZ2C00006948	6,766,169	04/09/2020	04/09/2022	10.98
KZ2C00006948	3,030,597	04/09/2020	04/09/2022	10.97
KZ2C00006948	10,102,953	04/09/2020	04/09/2022	10.95
KZ2C00006948	6,366,747	04/09/2020	04/09/2022	10.96

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00006955	6,612,435	11/09/2020	11/09/2025	11.17
KZ2C00006955	6,610,791	11/09/2020	11/09/2025	11.29
KZ2C00006955	15,125,278	11/09/2020	11/09/2025	11.25
KZ2C00006906	204,714,712	21/10/2020	21/10/2032	11.92
KZ2C00007037	13,026,381	06/11/2020	06/11/2022	10.95
KZ2C00007037	15,030,734	06/11/2020	06/11/2022	10.94
KZ2C00007037	15,034,032	06/11/2020	06/11/2022	10.92
KZ2C00007037	12,030,490	06/11/2020	06/11/2022	10.89
KZ2C00007037	5,515,096	06/11/2020	06/11/2022	10.85
KZ2C00007037	4,522,392	06/11/2020	06/11/2022	10.57
KZ2C00007136	9,221,754	20/11/2020	20/11/2030	11.11
KZ2C00007110	4,792,238	11/12/2020	11/12/2025	11.10
KZ2C00007110	9,597,787	11/12/2020	11/12/2025	10.99
KZ2C00007110	9,220,878	11/12/2020	11/12/2025	10.71
KZ2C00007128	14,086,461	14/12/2020	14/12/2027	11.05
KZ2C00007318	42,066,892	22/01/2021	22/01/2026	10.70
KZ2C00007318	10,540,889	22/01/2021	22/01/2026	10.60
KZ2C00007300	10,724,701	29/01/2021	29/01/2024	10.33
KZ2C00007300	5,367,971	29/01/2021	29/01/2024	10.26
KZ2C00007300	10,748,952	29/01/2021	29/01/2024	10.19
KZ2C00007300	10,765,646	29/01/2021	29/01/2024	10.10
KZ2C00007326	31,173,225	12/02/2021	12/02/2028	10.53
KZ2C00007326	20,867,252	12/02/2021	12/02/2028	10.42
KZ2C00007334	15,328,722	05/03/2021	05/03/2031	10.47
KZ2C00007458	10,506,453	04/06/2021	14/06/2022	9.90
KZ2C00007573	10,373,159	18/06/2021	18/06/2024	10.10
KZ2C00007516	10,432,001	18/06/2021	18/06/2023	10.01
KZ2C00007466	10,449,228	25/06/2021	05/07/2022	9.90
KZ2C00007474	7,834,516	02/07/2021	12/07/2022	9.85
KZ2C00007474	2,597,900	02/07/2021	12/07/2022	9.84
KZ2C00007581	10,326,035	02/07/2021	02/07/2024	10.14
KZ2C00007482	10,397,077	16/07/2021	26/07/2022	9.81
KZ2C00007490	10,335,333	06/08/2021	16/08/2022	9.95
KZ2C00007508	5,693,690	13/08/2021	23/08/2022	9.98
KZ2C00007508	4,621,080	13/08/2021	23/08/2022	9.98
KZ2C00008050	3,073,234	10/09/2021	10/09/2022	9.96
KZ2C00008050	17,415,204	10/09/2021	10/09/2022	9.96
KZ2C00008050	10,234,170	10/09/2021	10/09/2022	10.11

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

32. DEBT SECURITIES ISSUED, CONTINUED

Issues	Carrying amount KZT'000	Date of issue	Date of maturity	Effective interest rate
KZ2C00008043	10,177,615	01/10/2021	01/10/2022	10.12
KZ2C00008043	10,178,594	01/10/2021	01/10/2022	10.10
KZ2C00008043	10,179,938	01/10/2021	01/10/2022	10.09
KZ2C00008035	10,072,237	05/11/2021	05/11/2022	10.32
KZ2C00008035	10,074,268	05/11/2021	05/11/2022	10.29
KZ2C00008035	10,076,519	05/11/2021	05/11/2022	10.26
KZ2C00008027	4,625,772	03/12/2021	03/12/2022	10.28
KZ2C00008027	5,370,198	03/12/2021	03/12/2022	10.41
KZ2C00008027	9,981,958	03/12/2021	03/12/2022	10.51
KZ2C00008027	9,987,322	03/12/2021	03/12/2022	10.45
	951,417,753			
	3,062,328,192			

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

In 2022 and 2021 the change in the debt securities issued is as follows:

	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	(18,165,968,913)
Total changes in cash flows from financing activities	357,544,348
Interest accrued	328,701,949
Interest paid	(323,969,113)
Balance at the end of the year	3,424,605,376

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32. DEBT SECURITIES ISSUED, CONTINUED

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

	2021
	KZT'000
Balance at the beginning of the year	3,645,971,357
Notes issued, paid by cash	22,660,504,762
Nominal cost repaid	(23,212,157,298)
Total changes in cash flows from financing activities	(551,652,536)
Interest accrued	384,754,150
Interest paid	(416,744,779)
Balance at the end of the year	3,062,328,192

33. ESTIMATED LIABILITIES

As at 31 December 2022 estimated liabilities are represented by a provision for guarantees payable amounting to KZT 57,934,385 thousand and by a compensation on individual deposits amounting to KZT 167,962,452 thousand (31 December 2021: KZT 61,130,493 thousand and KZT 0, respectively).

Provision for guaranteeing deposits is recognised in equity in the consolidated statement of financial position of the National Bank as “Special guarantee reserve” and amounts to KZT 804,355,658 thousand (31 December 2021: KZT 685,322,567 thousand) (Note 35).

Provision to cover guarantees related to payment of the guaranteed compensation as recognised within liabilities in the consolidated statement of financial position of the National Bank as “Estimated liabilities” and amounted KZT 57,934,385 thousand (31 December 2021: KZT 61,130,493 thousand).

The table below shows analysis of movement in the provision for guarantees for the years ended 31 December 2022 and 31 December 2021:

	2022	2021
	KZT'000	KZT'000
Provision for guarantees at 1 January	61,130,493	53,056,189
<i>Changes affecting contributions to provision for estimated liabilities</i>		
Change in risk parameters	(10,400,787)	15,575,772
Change in the amount of guaranteed compensation on deposits	7,204,679	6,830,633
Total expenses stated in profit or loss for the year	(3,196,108)	22,406,405
Transfer to liabilities to depositors due to liquidation	-	(14,332,101)
Provision for guarantees at 31 December	57,934,385	61,130,493

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
33. ESTIMATED LIABILITIES, CONTINUED
Guarantee reserve movement

The change in the guarantee reserve for 2022 and 2021 is presented as follows:

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
	2021			
KZT'000	Stage 1	Stage 2	Stage 3	Total
Guarantee reserve				
Balance at 1 January	53,056,189	-	-	53,056,189
- Transfer to Stage 3	(14,332,101)	-	14,332,101	-
Net change in reserve	22,406,405	-	-	22,406,405
Payment of guaranteed compensation due to the liquidation	-	-	(14,332,101)	(14,332,101)
Balance at 31 December	61,130,493	-	-	61,130,493

In 2022 no payments of guarantee compensation to depositors were made at the expense of previously created reserves. In 2021 payments of guarantee compensation to depositors of these banks due to their liquidation were made at the expense of previously created reserves and expenses of the current period. In 2021 the amount of liabilities for these banks amounted to KZT 14,332,101 thousand.

A guaranteed compensation is a total amount of money paid to a depositor in case of forced liquidation of a participating bank. A guaranteed compensation is a total amount of money paid to a depositor in case of forced liquidation of a participating bank. According to the Law of the Republic of Kazakhstan "On the obligatory guarantee of deposits placed in the second-tier banks of the Republic of Kazakhstan", a depositor shall receive a guarantee compensation in the amount equal to deposit(s) balances without accrued interest and not exceeding the amount of maximum state guarantee per each depositor for each bank separately. Maximum state guarantee amount per each depositor shall be:

- up to 20 million KZT on savings deposits in national currency;
- up to 10 million KZT on non-term and term deposits, demand deposits, current accounts and payment cards in national currency;
- up to 5 million KZT on deposits and accounts in foreign currency.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

33. ESTIMATED LIABILITIES, CONTINUED

The National Bank calculates a reserve for expected credit losses on payment of guaranteed compensation to depositors in case of forced liquidation of participating banks, taking into account their probability of default and portion of funds not subject to be recovered in the course of bank liquidation, according to the Methods of Calculation of Reserves for Guarantees related to payment of guaranteed compensation. The probability of bank's default is determined in accordance with a risk-classification group, which in turn shows extent of bank's exposure to risk. A risk-classification group is determined based on analysis of capital adequacy, assets quality, return on assets and liquidity. Portion of funds not subject to be recovered in the course of bank liquidation is determined according to the history of guaranteed compensation payments to depositors and recovery of paid funds in the course of forced liquidation of a participating bank.

The following components have a significant impact on estimated reserve for expected credit losses: determination of probability of default, significant increase in credit risk, exposure at default and loss given default, as well as macroeconomic scenarios model.

As part of the programme of protection of KZT-denominated deposits, the Management Board of the National Bank 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 National Bank 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 National Bank. 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.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

34. OTHER LIABILITIES

	31 December 2022 KZT'000	31 December 2021 KZT'000
Other creditors on non-banking activity	23,543,252	17,257,189
Other creditors on banking activity	1,807,281	3,975,566
Other	415	-
Total other financial liabilities	25,350,948	21,232,755
Salaries payable	9,077,892	8,025,073
Tax payable (except for corporate income tax)	1,540,523	1,518,907
Payables on purchase of property and equipment	357,477	458,730
Other prepayments received	230,360	234,101
Total other non-financial liabilities	11,206,252	10,236,811
Total other liabilities	36,557,200	31,469,566

As at 31 December 2022 other creditors on non-banking activity comprise obligations to pay for the purchase of gold from counterparties in the amount of KZT 15,488,421 thousand, which were settled in January 2023 (31 December 2021: KZT 11,602,915 thousand), and lease liability in the amount of KZT 1,591,403 thousand (31 December 2021: KZT 1,467,064 thousand).

In 2021 KDIF JSC recognised liabilities on payment of guaranteed compensation to the depositors of the banks being liquidated. In 2021 the amount of liabilities thereon was KZT 14,332,101 thousand. The payment of guaranteed compensation was made through the agent bank.

During 2022 liabilities on payment of guaranteed compensation were partially paid through the agent bank in the amount of KZT 386,635 thousand and partially transferred to pension accounts of depositors with the UAPF as voluntary pension contributions in the amount of KZT 830,031 thousand.

Liabilities on payment of guaranteed compensation to depositors in accordance with the Law of the Republic of Kazakhstan “On the obligatory guarantee of deposits placed with the second-tier banks of the Republic of Kazakhstan”, are to be settled upon expiry of 1 year after the date of commencement of payment of guaranteed compensation and (or) upon transfer of unclaimed amounts of guaranteed compensation to the UAPF. Therefore, during 2022 KZT 1,102,713 thousand were written-off.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

35. 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 2022 and 31 December 2021 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 2022, the capital reserve was nil (31 December 2021: nil).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

35. CHARTER CAPITAL, CONTINUED**Special guarantee reserve**

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”, to perform activity related to payment of guaranteed compensation, KDIF JSC establishes a special guarantee reserve formed at the expense of KDIF JSC within 70% of its charter capital, contributions of the participating banks, penalty imposed on participating banks for failure to perform and improper performance of obligations under an adhesion contract, cash received as a result of fulfilment by a forcibly liquidated participating bank (a branch of non-resident bank of the Republic of Kazakhstan whose operation is forcibly discontinued) of the requirements of KDIF JSC related to the amounts of guaranteed compensation; cash received from a participating bank if the authorised body cancels its decision to revoke a licence for carrying out all banking operations in the amount of the guaranteed compensation paid by KDIF JSC; cash received from the Unified Accumulative Pension Fund in case of return of unclaimed amount of the guaranteed compensation from the individual pension account to account for voluntary pension contributions opened in the name of a depositor in accordance with the procedure established by the laws of the Republic of Kazakhstan on pension provision, Article 21-1, clause 5 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” as well as allocation of profit according to the decision of the NBK. A special guarantee reserve is established to pay a guaranteed compensation to the depositors in case 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.

An actual amount of a special guarantee reserve net of 70% of share capital as at 31 December 2022 and 31 December 2021 is KZT 804,355,658 thousand or 4.8% and KZT 685,322,567 thousand or 5.1% of gross amount of guaranteed deposits in participating banks, respectively.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. CHARTER CAPITAL, CONTINUED

Special guarantee reserve, continued

	31 December 2022 KZT'000	31 December 2021 KZT'000
Calendar contributions of banks participating in the deposit guarantee system	298,544,312	266,233,547
Amount of compensation made by a liquidation commission of a forcibly liquidated bank	60,085,156	49,827,474
Fines and penalties paid by banks participating in the deposit guarantee system	66,776	61,515
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	390,059,414	313,600,031
Special guarantee reserve	804,355,658	685,322,567

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 National Bank's disposal and is transferred to the reserve capital until the later reaches the level of the share capital.

36. ANALYSIS BY SEGMENT

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

The National Bank's risk management policies aim to identify, analyse and manage the risks faced by the National Bank 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 has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large investment exposures.

The Management Board, Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary and investment policies of the National Bank 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.

In accordance with the Investment Strategy on gold and foreign 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 National Bank's assets, and profitability growth in the medium and long-term perspective.

In accordance with the fulfilment of goals and functions of National Bank, gold and foreign currency assets of the NBK are separated into the following portfolios: liquidity portfolio, investment portfolio, strategic portfolio, gold portfolio, developing market portfolio and portfolio of alternative investments.

In accordance with GFCA Investment Strategy subsidiary NIC NBK JSC manages the portfolio of alternative instruments.

In accordance with GFCA Investment Strategy and Investment Strategy for Management of Portfolio of Alternative Investments of GFCA of the National Bank approved by the Resolution of the Management Board of the National Bank dated 28 May 2018 No.100, and in accordance with the terms and conditions of the Trust Investment Management Agreement No.122NB/10 dated 29 March 2013 which was concluded between the NBK and NIC NBK JSC, NIC NBK JSC invests a part of the gold and foreign currency assets of the National Bank in the alternative classes of assets through the special purpose companies/partnerships.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

37. RISK MANAGEMENT, CONTINUED**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.

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

The National Bank utilises Tracking Error methodology. Tracking Error indicator reflects how actual performance of current portfolio differs from the performance of the benchmark portfolio. The estimated tracking error of the investment portfolio of gold and foreign currency assets including derivatives does not exceed 2 (two) percent per annum as at the last working day of each month.

Tracking Error can be used only when the investor manages a portfolio against the benchmark portfolio.

As at 31 December 2022 the benchmark portfolio for the investment portfolio of gold and foreign currency assets was a composite index of:

- 62.0% – ICE BofAML 0-3 Year US Treasury Index (G1QA);
- 12.5% – ICE BofAML 0-3 Year Germany, France, Netherlands, Austria, Luxembourg & Finland Government Index (EBDF);
- 12.5% – ICE BofAML 0-3 Year UK Gilt Index (GBL0);
- 8.0% – ICE BofAML 0-3 Year Australia Government Index (GJBT);
- 5.0% – ICE BofAML 0-3 Year All Maturity Canadian Government Index (GBCJ).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

37. RISK MANAGEMENT, CONTINUED**Market risk, continued**

As at 31 December 2021 the benchmark portfolio for the investment portfolio of gold and foreign currency assets was a composite index of:

- 62.0% – ICE BofAML 0-3 Year US Treasury Index (G1QA);
- 12.5% – ICE BofAML 0-3 Year Germany, France, Netherlands, Austria, Luxembourg & Finland Government Index (EBDF);
- 12.5% – ICE BofAML 0-3 Year UK Gilt Index (GBL0);
- 8.0% – ICE BofAML 0-3 Year Australia Government Index (GJBT);
- 5.0% – ICE BofAML 0-3 Year All Maturity Canadian Government Index (GBCJ).

Investments in hedge funds, private equity funds and real estate funds bear, primarily, market risk and liquidity risk. In this regard, investments in alternative instruments of such type, including investment funds, are very popular among the long-term institutional investors. Such investors are aimed at obtaining a premium for liquidity risk and risk of short-term fluctuations in the financial markets. Therefore, the thorough choice, due diligence of such funds and investment limits per one manager and per one fund are the mandatory tools to control and optimise these risks. In addition, the investment and operating risks of these funds and their managers are regularly monitored and controlled – on the quarterly and semi-annual basis. To mitigate and diversify the risk of concentration, in addition to the above limits, there applied the requirements to diversify investments by the strategies, vintage (the year of formation of a private equity fund) and geography of investments.

Interest rate risk

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis

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

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2022							
ASSETS							
Cash on hand in foreign currency	-	-	-	-	-	129,948,570	129,948,570
Gold	-	419,589,510	-	-	-	9,105,948,719	9,525,538,229
Placements and loans with banks and other financial institutions	1,516,611,739	-	-	259,887,621	1,117,883,951	1,347,817,826	4,242,201,137
Financial instruments under management at fair value through profit or loss	-	-	-	-	717,390	1,109,520,561	1,110,237,951
Reverse repurchase agreements	273,333,783	-	-	-	-	-	273,333,783
Investment securities measured at fair value through other comprehensive income	468,396,112	1,193,076,902	164,287,348	1,446,781,924	723,308,898	562,591,716	4,558,442,900
Investment securities measured at amortised cost	6,319,451	43,368,234	45,987,970	396,712,685	913,646,258	-	1,406,034,598
Other financial assets	3,711	14,422	80,724	16,375,974	1,048,348,821	17,993,491	1,082,817,143
	2,264,664,796	1,656,049,068	210,356,042	2,119,758,204	3,803,905,318	12,273,820,883	22,328,554,311

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,824,305,306	3,824,305,306
Deposits and balances from banks and other financial institutions	4,993,682,087	-	-	-	-	3,271,376,479	8,265,058,566
Financial instruments under management at fair value through profit or loss	-	-	-	-	-	1,770,940	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	-	-	-	-	174,160,746	1,815,667,695
Customer accounts	-	-	-	-	-	335,439,122	335,439,122
Debt securities issued	2,375,697,591	72,109,980	159,189,062	495,428,777	322,179,966	-	3,424,605,376
Estimated liabilities	-	-	-	-	-	225,896,837	225,896,837
Other financial liabilities	-	-	-	-	-	25,350,948	25,350,948
	9,016,945,530	72,109,980	159,189,062	495,428,777	322,179,966	7,976,915,766	18,042,769,081
	(6,752,280,734)	1,583,939,088	51,166,980	1,624,329,427	3,481,725,352	4,296,905,117	4,285,785,230

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2021							
ASSETS							
Cash on hand in foreign currency	-	-	-	-	-	112,430,324	112,430,324
Gold	119,470,707	62,900,607	-	-	-	10,072,587,973	10,254,959,287
Placements and loans with banks and other financial institutions	800,280,131	-	-	245,724,357	1,151,915,179	997,648,355	3,195,568,022
Financial instruments under management at fair value through profit or loss	-	-	-	-	799,764	964,601,580	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	167,641,009	25,781,227	174,612,660	1,280,647,236	836,300,127	776,432,358	3,261,414,617
Investment securities measured at amortised cost	16,763,820	8,416,263	8,324,866	263,613,151	896,231,388	-	1,193,349,488
Other financial assets	1,205	227	10,449	121,216	811,862,372	17,238,515	829,233,984
	1,653,319,224	97,098,324	182,947,975	1,790,105,960	3,697,108,830	12,940,939,105	20,361,519,418

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
LIABILITIES							
Currency in circulation	-	-	-	-	-	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	3,982,398,108	367,213,263	-	-	-	2,847,803,172	7,197,414,543
Financial instruments under management at fair value through profit or loss	-	-	-	-	-	1,816,270	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	-	-	-	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	901,426,804	-	-	-	-	3,501,215	904,928,019
Customer accounts	-	-	-	-	-	206,932,122	206,932,122
Debt securities issued	1,904,838,649	216,578,243	318,474,817	327,044,358	295,392,125	-	3,062,328,192
Estimated liabilities	-	-	-	-	-	61,130,493	61,130,493
Other financial liabilities	-	-	-	-	-	21,232,755	21,232,755
	6,938,761,374	583,791,506	318,474,817	327,044,358	295,392,125	7,656,766,830	16,120,231,010
	(5,285,442,150)	(486,693,182)	(135,526,842)	1,463,061,602	3,401,716,705	5,284,172,275	4,241,288,408

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 2022 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2022 Carrying amount KZT'000	Average nominal interest rate, %	31 December 2021 Carrying amount KZT'000	Average nominal interest rate, %
Interest-bearing assets				
Gold				
<i>Gold deposits with foreign banks</i>	419,589,510	0.32	182,371,314	0.06
Placements and loans with banks and other financial institutions				
<i>Nostro accounts</i>				
- USD	815,235,819	4.30	589,289,103	0.05
- EUR	513,911,619	1.83	179,941,742	0.65
- RUB	182,042,086	4.00	4,661,494	1.37
- GBP	4,217,749	2.75	-	-
- Other currencies	1,204,032	0.78	25,205,613	0.78
- KRW	434	0.30	428	0.05
<i>Loans and deposits with banks</i>				
- KZT	1,377,771,572	5.46	1,398,821,287	6.03

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
37. RISK MANAGEMENT, CONTINUED
Market risk, continued
Interest rate risk, continued
Average nominal interest rates, continued

	31 December 2022 Carrying amount KZT'000	Average nominal interest rate, %	31 December 2021 Carrying amount KZT'000	Average nominal interest rate, %
Financial instruments under management at fair value through profit or loss				
- USD	717,390	11.00	799,764	11.00
Reverse repurchase agreements				
- KZT	273,333,783	17.75	549,162,352	10.75
Investment securities measured at fair value through other comprehensive income				
- USD	3,023,855,005	3.70	1,541,126,474	1.75
- KZT	444,783,449	10.32	383,229,528	7.89
- EUR	271,851,660	1.74	299,387,069	0.63
- GBP	114,506,628	2.34	115,245,305	1.18
- CAD	65,973,439	2.69	68,742,118	1.60
- AUD	57,743,922	2.16	57,191,580	3.34
- JPY	14,687,218	1.36	20,060,185	0.30
- CHF	2,449,863	1.25	-	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Average nominal interest rates, continued

	31 December 2022 Carrying amount KZT'000	Average nominal interest rate, %	31 December 20221 Carrying amount KZT'000	Average nominal interest rate, %
Investment securities measured at amortised cost				
- KZT	1,302,459,850	9.00	1,089,819,372	8.65
- CNY	103,433,264	2.84	103,397,287	2.74
- USD	141,484	3.20	132,829	3.20
Other assets				
- KZT	1,064,823,652	8.49	811,995,469	9.18
Interest-bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- USD	2,887,178,020	4.24	2,710,266,756	0.29
- KZT	2,106,504,067	16.17	1,637,212,049	9.33
<i>Loans</i>				
- USD	-	-	2,132,566	4.00
Repurchase agreements				
- KZT	6,058,903	15.75	150,097,813	8.75
Unified Treasury Account				
- KZT	1,641,506,949	0.25	901,426,804	0.25
Debt securities issued *				
- KZT	3,424,605,376	14.71	3,062,328,192	9.71

*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

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Interest rate risk, continued

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity to changes in interest rates (repricing risk) based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 31 December 2021 is as follows:

	2022		2021	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
300 bp parallel rise	(104,075,202)	(104,075,202)	(125,222,351)	(125,222,351)
300 bp parallel fall	104,075,202	104,075,202	125,222,351	125,222,351

An analysis of the sensitivity of equity as a result of changes in the fair value of investment securities at fair value through other comprehensive income due to changes in the interest rates, based on positions existing as at 31 December 2022 and 31 December 2021 and a simplified scenario of a 50 bp symmetrical fall or rise in all yield curves, is as follows:

	2022		2021	
	Net profit or loss KZT'000	Equity KZT'000	Net profit or loss KZT'000	Equity KZT'000
50 bp parallel fall	-	146,718,993	-	45,630,681
50 bp parallel rise	-	(139,762,939)	-	(48,507,014)

The above tables demonstrate the effect of a change of value of fixed-income financial instruments in a key assumption for interest rate change, 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 because of convexity of the 'price – yield to maturity' curve, and larger or smaller impacts should not be interpolated or extrapolated from these results.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

37. 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 National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank'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 National Bank 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 National Bank has assets and liabilities denominated in several foreign currencies.

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 exchange rates. The National Bank does not hedge its exposure to currency risk.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

The following table shows the National Bank's 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 on hand in foreign currency	-	-	128,148,931	1,664,700	7,151	-	58,671	69,117	129,948,570
Gold	-	9,525,538,229	-	-	-	-	-	-	9,525,538,229
Placements and loans with banks and other financial institutions	1,383,811,577	-	954,112,244	530,651,979	348,218,466	717,918,753	11,053,446	296,434,672	4,242,201,137
Financial instruments under management at fair value through profit or loss	-	-	1,108,764,150	390,418	433,560	-	112,691	537,132	1,110,237,951
Reverse repurchase agreements	273,333,783	-	-	-	-	-	-	-	273,333,783
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 assets	5,038,543,185	9,525,538,229	5,217,068,100	821,041,646	365,450,543	717,918,753	125,734,421	526,641,409	22,337,936,286

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
37. 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 under management 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
Estimated liabilities	225,896,837	-	-	-	-	-	-	-	225,896,837
Other financial liabilities	20,671,435	-	4,679,058	455	-	-	-	-	25,350,948
Total 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	(7,615,391,591)	9,525,538,229	1,494,176,117	358,055,695	19,246,596	126,698,618	121,530,001	265,313,540	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	(7,536,997,389)	9,525,538,229	1,422,392,546	362,451,671	22,192,018	126,698,618	116,594,259	256,297,253	4,295,167,205

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 2021:

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
ASSETS									
Cash on hand in foreign currency	-	-	111,569,477	733,606	7,661	-	56,474	63,106	112,430,324
Gold	-	10,254,959,287	-	-	-	-	-	-	10,254,959,287
Placements and loans with banks and other financial institutions	1,518,900,509	-	736,641,427	188,799,238	5,270,134	703,780,077	7,201,113	34,975,524	3,195,568,022
Financial instruments under management at fair value through profit or loss	-	-	964,970,661	255,725	-	-	20,534	154,424	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	1,133,229,528	-	1,567,558,832	299,387,069	20,060,185	-	115,245,305	125,933,698	3,261,414,617
Investment securities measured at amortised cost	1,089,819,372	-	132,829	-	-	-	-	103,397,287	1,193,349,488
Investments in associates	7,255,451	-	-	-	-	-	-	-	7,255,451
Other financial assets	829,233,984	-	-	-	-	-	-	-	829,233,984
Total assets	5,127,601,196	10,254,959,287	3,380,873,226	489,175,638	25,337,980	703,780,077	122,523,426	264,524,039	20,368,774,869

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	3,452,220,118	-	-	-	-	-	-	-	3,452,220,118
Deposits and balances from banks and other financial institutions	2,230,554,506	-	4,106,516,776	271,763,424	4,119,038	580,302,376	3,345,022	813,401	7,197,414,543
Financial instruments under management at fair value through profit or loss	15,743	-	862,079	278,509	117,252	-	64,216	478,471	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	-	-	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	901,426,804	-	261,268	-	-	-	-	3,239,947	904,928,019
Customer accounts	206,753,402	-	90,749	8,734	-	-	7	79,230	206,932,122
Debt securities issued	3,062,328,192	-	-	-	-	-	-	-	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	-	-	61,130,493
Other financial liabilities	17,715,835	-	3,516,626	294	-	-	-	-	21,232,755
Total liabilities	11,144,373,591	-	4,111,247,498	272,050,961	4,236,290	580,302,376	3,409,245	4,611,049	16,120,231,010
Net position	(6,016,772,395)	10,254,959,287	(730,374,272)	217,124,677	21,101,690	123,477,701	119,114,181	259,912,990	4,248,543,859
The effect of derivatives held for risk management purposes	(19,878,543)	-	(43,941,742)	71,352,839	6,415,845	-	(3,092,715)	(10,855,684)	-
Net position after derivatives held for risk management purposes	(6,036,650,938)	10,254,959,287	(774,316,014)	288,477,516	27,517,535	123,477,701	116,021,466	249,057,306	4,248,543,859

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Market risk, continued

Currency risk, continued

Management of the National Bank believes that, as at 31 December 2022, given the current economic conditions in Kazakhstan, fluctuation of exchange rate by 20% is a realistic movement in KZT exchange rates against the USD. This is the sensitivity rate used in the National Bank when reporting foreign currency risk internally to key management personnel of the National Bank and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only amounts in foreign currency as of the end of the period and adjusts their translation for appreciation and depreciation in currency rates as at 31 December 2022.

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2022 and 31 December 2021, would have increased (decreased) equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the National Bank considered to be reasonably possible at the end of the reporting period. The given level of sensitivity is used within the National Bank for preparation of currency risk report for the key management of the National Bank. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December Equity 2022 KZT'000	31 December Equity 2021 KZT'000
	(+20%/-20%)	(+20%/-20%)
Appreciation of USD against KZT	284,478,509	(154,863,203)
Depreciation of USD against KZT	(284,478,509)	154,863,203
Appreciation of EUR against KZT	72,490,334	57,695,503
Depreciation of EUR against KZT	(72,490,334)	(57,695,503)
Appreciation of a troy ounce of gold against KZT	1,905,107,646	2,050,991,857
Depreciation of a troy ounce of gold against KZT	(1,905,107,646)	(2,050,991,857)
Appreciation of JPY against KZT	4,438,403	5,503,507
Depreciation of JPY against KZT	(4,438,403)	(5,503,507)
Appreciation of GBP against KZT	23,318,852	23,204,293
Depreciation of GBP against KZT	(23,318,852)	(23,204,293)
Appreciation of SDR against KZT	25,339,724	24,695,540
Depreciation of SDR against KZT	(25,339,724)	(24,695,540)
Appreciation of other currencies against KZT	51,259,451	49,811,461
Depreciation of other currencies against KZT	(51,259,451)	(49,811,461)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 National Bank 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 National Bank takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2022 and 31 December 2021 and a simplified scenario of a 10% change in all securities prices is as follows:

	2022		2021	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
A 10% increase in securities prices	110,797,793	54,401,381	96,462,316	77,643,236
A 10% decrease in securities prices	(110,797,793)	(54,401,381)	(96,462,316)	(77,643,236)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Credit risk is the risk of financial loss to the National Bank if a borrower, issuer and/or counterparty to a financial instrument fails to meet its contractual obligations. The National Bank 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 National Bank's credit risk management policy establishes:

- A methodology for credit assessment calculation and determination of maximum risk limits on the National Bank's counterparties, clearing brokers and custodians.
- Procedures for ongoing monitoring and review of the risk limit of the National Bank'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 National Bank. The Investment Committee approves a new counterparty on the basis of this report.

The Department of Monetary Operations of the National Bank 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.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT, CONTINUED

Credit risk, continued

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

	31 December 2022 KZT'000	31 December 2021 KZT'000
ASSETS		
Gold	419,589,510	182,371,314
Placements and loans with banks and other financial institutions	4,242,201,137	3,195,568,022
Financial instruments under management at fair value through profit or loss	1,110,237,951	965,401,344
Reverse repurchase agreements	273,333,783	549,162,352
Investment securities measured at fair value through other comprehensive income	4,014,429,094	2,484,982,259
Investment securities measured at amortised cost	1,406,034,598	1,193,349,488
Other financial assets	1,082,817,143	829,233,984
Total maximum exposure	12,548,643,216	9,400,068,763

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in *Note 38*.

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 National Bank'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 2022**

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

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

The National Bank receives and accepts collateral in the form of marketable securities in respect of the sales and repurchase agreements, reverse sale and repurchase agreements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 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	273,333,783	-	273,333,783	(273,067,981)	-	265,802
Investment securities measured at fair value through other comprehensive income	5,775,086	-	5,775,086	(5,775,086)	-	-
Total financial assets	279,108,869	-	279,108,869	(278,843,067)	-	265,802
Repurchase agreements	(6,058,903)	-	(6,058,903)	5,775,086	-	(283,817)
Total financial liabilities	(6,058,903)	-	(6,058,903)	5,775,086	-	(283,817)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 2021:

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	549,162,352	-	549,162,352	(525,082,835)	-	24,079,517
Investment securities measured at fair value through other comprehensive income	140,891,608	-	140,891,608	(140,891,608)	-	-
Total financial assets	690,053,960	-	690,053,960	(665,974,443)	-	24,079,517
Repurchase agreements	(150,097,813)	-	(150,097,813)	140,891,608	-	(9,206,205)
Total financial liabilities	(150,097,813)	-	(150,097,813)	140,891,608	-	(9,206,205)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 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	-	21
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	22
Repurchase agreements	(6,058,903)	Repurchase agreements	(6,058,903)	-	28

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 2021.

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	549,162,352	Reverse repurchase agreements	549,162,352	-	21
Investment securities measured at fair value through other comprehensive income	140,891,608	Investment securities measured at fair value through other comprehensive income	3,261,414,617	3,120,523,009	22
Repurchase agreements	(150,097,813)	Repurchase agreements	(150,097,813)	-	28

Liquidity risk

Liquidity risk is the risk that the National Bank 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 National Bank 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.

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Since the National Bank 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 National Bank's liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow (the “liquidity portfolio”);
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Department of Monetary Operations based on information of the asset and liability liquidity performs analysis of the liquidity position. Afterwards, the Department of Monetary Operations maintains the liquidity level by purchasing highly liquid assets. To meet liquidity management goals the liquidity portfolio is invested in assets that can be sold as soon as it possible, if required.

According to the Investment Strategy of Gold and Foreign Exchange Reserves of the National Bank the liquidity portfolio has to comply with the following parameters:

- duration of the liquidity portfolio should not exceed 1 year;
- the base currency of the liquidity portfolio is USD;
- volume of liquidity portfolio should not fall below USD 1 billion inclusive of current liabilities with maturities of less than 5 (five) working days;
- volume of liquidity portfolio should not be less than the volume of payments on state external debt service for the next 6 months. This limitation is checked once in a calendar quarter (on the tenth working day of each quarter).

If the market value of the liquidity portfolio does not comply with the given parameters, it is replenished as soon as practicable, but not later than 1 month of the observance of such non-compliance, or within a different period provided for by the decision of the Investment Committee of the National Bank.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

The assets of the liquidity portfolio may be invested in cash currency, state (sovereign) debt securities of the countries with the credit rating not lower than A- (Standard & Poor's) and/or A3 (Moody's), agency debt securities, debt securities of international financial institutions with the credit rating not lower than AAA (Standard & Poor's) and/or Aaa (Moody's), regional (municipal) debt securities of the countries with the credit rating not lower than A- (Standard & Poor's) and/or A3 (Moody's), certificates of deposit (CD), commercial papers (CP) with the short-term credit rating not lower than A - 1(Standard & Poor's) or P-1 (Moody's), deposits, forward transactions in fully convertible currencies with maturity of up to 1 month as part of hedging of foreign currency liabilities. The maximum term for the deposit should not exceed one month.

The assets of the liquidity portfolio are invested in freely convertible currencies, in the national currency of the People's Republic of China, as well as in the currencies of the countries of the Eurasian Economic Union.

If the volume of assets in liquidity portfolio, net of liabilities of the National Bank to the second-tier banks and other clients, is greater than zero, the portion of such USD-denominated assets makes up at least 70 (seventy) percent of that volume. In case of non-compliance with this criterion, the Department of Monetary Operations corrects the violation within 14 (fourteen) calendar days. If the volume of assets in liquidity portfolio, net of liabilities of the National Bank to the second-tier banks and other clients, is less than zero, the target portion of the USD-denominated assets in liquidity portfolio makes up 50 (fifty) percent of the USD-denominated liabilities.

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 2022

37. 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	No maturity	Total gross inflow (outflow)	Carrying amount
Non-derivative financial liabilities								
Deposits and balances from banks and other financial institutions	6,928,227,198	760,065,644	-	-	-	591,670,670	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
Estimated liabilities	57,934,385	-	-	-	-	167,962,452	225,896,837	225,896,837
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 liabilities	11,577,654,387	874,123,090	99,469,747	242,076,668	811,283,521	759,633,122	14,364,240,535	14,218,463,775
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 2022

37. RISK MANAGEMENT, CONTINUED

Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2021 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	No maturity	Total gross inflow (outflow)	Carrying amount
Non-derivative financial liabilities								
Deposits and balances from banks and other financial institutions	5,848,105,753	403,814,622	367,213,263	-	-	580,722,821	7,199,856,459	7,197,414,543
Repurchase agreements	150,241,708	-	-	-	-	-	150,241,708	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	905,119,437	-	-	-	-	-	905,119,437	904,928,019
Customer accounts	206,932,122	-	-	-	-	-	206,932,122	206,932,122
Debt securities issued	1,243,444,274	675,841,270	223,911,182	320,455,460	1,089,196,534	-	3,552,848,720	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	61,130,493	61,130,493
Other financial liabilities	21,232,755	-	-	-	-	-	21,232,755	21,232,755
Derivative liabilities								
- Inflow	(23,075,142)	(166,723,835)	-	-	-	-	(189,798,977)	-
- Outflow	23,589,568	168,025,679	-	-	-	-	191,615,247	1,816,270
Total liabilities	9,498,851,653	1,080,957,736	591,124,445	320,455,460	1,089,196,534	580,722,821	13,161,308,649	12,668,010,892
Credit related commitments	361,011,670	-	-	-	-	-	361,011,670	361,011,670

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Management expects that the cash flows from certain financial liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The gross nominal outflow/(inflow) disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivative liabilities that have simultaneous gross settlement (e.g., forward exchange contracts and currency swaps).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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	<u>On demand and less than 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 to 12 months</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>No maturity</u>	<u>Total</u>
ASSETS							
Cash on hand in foreign currency	129,948,570	-	-	-	-	-	129,948,570
Gold	45,285,338	-	419,589,510	-	-	9,060,663,381	9,525,538,229
Placements and loans with banks and other financial institutions	2,151,191,101	-	-	259,887,621	1,117,883,951	713,238,464	4,242,201,137
Financial instruments under management at fair value through profit or loss	801,911	1,458,112	-	-	-	1,107,977,928	1,110,237,951
Reverse repurchase agreements	273,333,783	-	-	-	-	-	273,333,783
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	2,624,727,196	476,336,009	1,906,439,959	2,329,746,097	3,565,411,471	11,435,275,554	22,337,936,286

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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	-	-	-	-	-	3,824,305,306	3,824,305,306
Deposits and balances from banks and other financial institutions	6,916,929,118	756,458,779	-	-	-	591,670,670	8,265,058,566
Financial instruments under management 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
Estimated liabilities	57,934,385	-	-	-	-	167,962,452	225,896,837
Other financial liabilities	25,350,948	-	-	-	-	-	25,350,948
Total liabilities	11,545,117,665	864,805,203	231,299,042	495,428,777	322,179,966	4,583,938,428	18,042,769,081
Net position	(8,920,390,469)	(388,469,194)	1,675,140,917	1,834,317,320	3,243,231,505	6,851,337,126	4,295,167,205

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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 2021:

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	112,430,324	-	-	-	-	-	112,430,324
Gold	207,143,729	-	62,900,607	-	-	9,984,914,951	10,254,959,287
Placements and loans with banks and other financial institutions	981,283,513	1,182,091	-	237,462,171	1,275,572,791	700,067,456	3,195,568,022
Financial instruments under management at fair value through profit or loss	177,459	600,729	-	-	-	964,623,156	965,401,344
Reverse repurchase agreements	549,162,352	-	-	-	-	-	549,162,352
Investment securities measured at fair value through other comprehensive income	84,122,602	83,518,407	200,393,887	1,280,647,236	822,771,491	789,960,994	3,261,414,617
Investment securities measured at amortised cost	-	16,555,547	16,652,063	263,613,151	896,231,388	297,339	1,193,349,488
Investments in associates	-	-	-	-	-	7,255,451	7,255,451
Other financial assets	7,380,074	15,734,401	23,246,664	168,154,443	614,718,402	-	829,233,984
Total assets	1,941,700,053	117,591,175	303,193,221	1,949,877,001	3,609,294,072	12,447,119,347	20,368,774,869

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. 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	-	-	-	-	-	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	5,843,529,635	403,814,622	369,345,829	-	-	580,724,457	7,197,414,543
Financial instruments under management at fair value through profit or loss	514,426	1,301,844	-	-	-	-	1,816,270
Repurchase agreements	150,097,813	-	-	-	-	-	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	1,062,130,685	-	-	-	-	-	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	904,928,019	-	-	-	-	-	904,928,019
Customer accounts	206,932,122	-	-	-	-	-	206,932,122
Debt securities issued	1,238,914,758	665,923,891	535,053,060	327,044,358	295,392,125	-	3,062,328,192
Estimated liabilities	61,130,493	-	-	-	-	-	61,130,493
Other financial liabilities	21,232,755	-	-	-	-	-	21,232,755
Total liabilities	9,489,410,706	1,071,040,357	904,398,889	327,044,358	295,392,125	4,032,944,575	16,120,231,010
Net position	(7,547,710,653)	(953,449,182)	(601,205,668)	1,622,832,643	3,313,901,947	8,414,174,772	4,248,543,859

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

38. CREDIT RELATED COMMITMENTS

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

The National Bank 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 2022 KZT'000	31 December 2021 KZT'000
Contracted amount		
Investment commitments	374,055,808	349,987,802
Loan and credit line commitments	11,000,000	11,000,000
Guarantees and letters of credit	44,372	23,868
	<u>385,100,180</u>	<u>361,011,670</u>

All credit related commitments 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 2022, they have payment liabilities to private equity funds and real estate funds of KZT 374,055,808 thousand (at 31 December 2021: KZT 349,987,802 thousand). These credit related commitments can be changed.

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

39. CONTINGENCIES**Insurance**

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

Litigation

Management is unaware of any significant actual, pending or threatened claims against the National Bank.

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 2022**

40. FUNDS MANAGEMENT, TRUST AND CUSTODY ACTIVITIES**Funds management and trust activities**

The National Bank 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 National Bank receives fee income for providing these services. Trust assets are not assets of the National Bank and are not recognised in the consolidated statement of financial position. The National Bank is not exposed to any credit risk related to such placements, as it does not guarantee these investments.

As at 31 December 2022, the total amount of assets that the National Bank holds and manages for outside organisations is KZT 3,706,108,915 thousand (31 December 2021: KZT 3,180,558,984 thousand).

As at 31 December 2022, the amount of the National Fund's net assets that the National Bank holds and manages is KZT 26,774,885,713 thousand (31 December 2021: KZT 25,689,588,077 thousand). A portion of these funds is managed by external managers in accordance with the investment policies set by the NBK.

Custody activities

During 2022 and 2021, the National Bank provided custody services to UAPF JSC. As at 31 December 2022, the total assets of UAPF JSC under the custodial service of the National Bank amounted to KZT 14,621,893,336 thousand (31 December 2021: KZT 13,046,565,277 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 2022, the total amount of financial instruments and money in nominal holding and bank accounts of depositors with the Central Depository is KZT 111,523,275,627 thousand (31 December 2021: KZT 105,158,753,517 thousand).

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTY TRANSACTIONS

Transactions with members of the Board of Directors and Management Board

Total remuneration for members of the National Bank's Management Board and Board of Directors for the year ended 31 December 2022 was KZT 949,468 thousand (2021: KZT 812,747 thousand). The remuneration consists of salary and other payments.

Transactions with other related parties

The outstanding balances and average nominal interest rates as at 31 December 2022 and 31 December 2021 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 2022		31 December 2021	
	KZT'000	Average nominal interest rates, %	KZT'000	Average nominal interest rates, %
Consolidated statement of financial position				
ASSETS				
Gold	45,285,338	-	42,446,759	-
Placements and loans with banks and other financial institutions	979,248,744	5.63	1,454,530,013	6.09
Reverse repurchase agreements	273,333,783	17.75	549,162,352	10.75
Investment securities measured at fair value through other comprehensive income:				
Equity securities	541,967,520	-	750,000,000	-
Debt securities	444,783,449	10.32	383,229,528	7.88
Investment securities measured at amortised cost	1,225,614,316	9.07	1,004,335,966	8.70
Property, plant and equipment and intangible assets	37,602	-	-	-
Current tax asset	7,222,052	-	6,735,771	-
Deferred tax assets	345,284,882	-	346,258,930	-
Other assets	12,162,263	-	1,929,775	-

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
41. RELATED PARTY TRANSACTIONS, CONTINUED
Transactions with other related parties, continued

	State companies and organisations			
	31 December 2022		31 December 2021	
	KZT'000	Average nominal interest rates, %	KZT'000	Average nominal interest rates, %
LIABILITIES				
Deposits and balances from banks and other financial institutions	1,421,724,926	16.06	1,017,348,623	8.50
Repurchase agreements	6,058,903	15.75	150,097,813	8.75
Current accounts of the National Fund of the Republic of Kazakhstan	118,615,388	-	1,062,130,685	-
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	1,815,667,695	0.25	904,928,019	0,25
Customer accounts	333,937,166		203,822,963	-
Debt securities*	848,294,325	14.78	782,577,344	9.72
Current tax liability	7,194	-	11,824	-
Deferred tax liabilities	3,104,274	-	2,610,066	-
Other liabilities	1,693,522	-	1,441,121	-

* The effective interest rate is specified for debt securities.

	State companies and organisations	
	2022 KZT'000	2021 KZT'000
Consolidated statement of profit or loss and other comprehensive income		
Interest income calculated using the effective interest method	295,392,184	224,875,418
Interest expense	(160,622,358)	(111,945,741)
Fee and commission income	22,124,315	35,600,036
Fee and commission expense	(2,919,143)	(2,471,282)
Net loss on financial instruments measured at fair value through profit or loss	(70,273)	(9,534)
Net gain on financial instruments at fair value through other comprehensive income	19,150,321	4,787,580
Share of profit (loss) of associates	2,091,979	-
Other operating income, net	2,442,297	1,540,707
Banknotes and coins production expenses	(39,460)	(38,213)
Personnel expenses	(1,337,098)	(1,085,424)
Other general and administrative expenses	(3,994,191)	(2,735,167)
Income tax (expense)/benefit	(2,823,584)	19,237,436

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42. 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 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	-	-	-	-	129,948,570	129,948,570	129,948,570
Gold	9,525,538,229	-	-	-	-	9,525,538,229	9,525,538,229
Placements and loans with banks and other financial institutions	-	247,782,030	-	-	3,994,419,107	4,242,201,137	4,232,717,650
Financial instruments under management at fair value through profit or loss	-	1,110,237,951	-	-	-	1,110,237,951	1,110,237,951
Reverse repurchase agreements	-	-	-	-	273,333,783	273,333,783	273,333,783
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	1,286,372,078
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	22,199,408,304

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42. 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 under management 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
Estimated liabilities	-	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 2022

42. 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 2021:

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	-	-	-	-	112,430,324	112,430,324	112,430,324
Gold	10,254,959,287	-	-	-	-	10,254,959,287	10,254,959,287
Placements and loans with banks and other financial institutions	-	305,232,932	-	-	2,890,335,090	3,195,568,022	3,245,330,521
Financial instruments under management at fair value through profit or loss	-	965,401,344	-	-	-	965,401,344	965,401,344
Reverse repurchase agreements	-	-	-	-	549,162,352	549,162,352	549,162,352
Investment securities measured at fair value through other comprehensive income	-	-	2,484,982,259	26,432,358	-	2,511,414,617	2,511,414,617
Investment securities measured at amortised cost	-	-	-	-	1,193,349,488	1,193,349,488	1,085,494,674
Other financial assets	-	-	-	-	829,233,984	829,233,984	829,233,984
	10,254,959,287	1,270,634,276	2,484,982,259	26,432,358	5,574,511,238	19,611,519,418	19,553,427,103

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42. 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	-	3,452,220,118	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	-	7,197,414,543	7,197,414,543	7,197,414,543
Financial instruments under management at fair value through profit or loss	1,816,270	-	1,816,270	1,816,270
Repurchase agreements	-	150,097,813	150,097,813	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	1,062,130,685	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	904,928,019	904,928,019	904,928,019
Customer accounts	-	206,932,122	206,932,122	206,932,122
Debt securities issued	-	3,062,328,192	3,062,328,192	3,136,749,379
Estimated liabilities	-	61,130,493	61,130,493	61,130,493
Other financial liabilities	-	21,232,755	21,232,755	21,232,755
	1,816,270	16,118,414,740	16,120,231,010	16,194,652,197

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

42. 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 National Bank determines fair values using other valuation techniques.

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

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

The National Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management 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 2022 and 31 December 2021, 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.

As disclosed in Note 22, in 2021, the fair value of unquoted equity securities measured through other comprehensive income with a carrying value of KZT 750,000,000 thousand could not be determined.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED**Accounting classifications and fair values, continued**

As at 31 December 2022, there were no asset and liability parts of swap deals (31 December 2021: nil).

Fair value hierarchy

The National Bank 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 2022

42. 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 2022 and 31 December 2021, 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 2022

KZT'000	Level 1	Level 2	Level 3	Total
Gold	9,525,538,229	-	-	9,525,538,229
Placements and loans with banks and other financial institutions	-	247,782,030	-	247,782,030
Financial instruments under management at fair value through profit or loss				
- Derivative assets	2,260,023	-	-	2,260,023
- Equity investments*	-	256,154,970	851,822,957	1,107,977,927
- Derivative liabilities	(1,760,772)	(10,168)	-	(1,770,940)
Investment securities measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	3,569,645,645	444,783,449	-	4,014,429,094
- Equity investments	2,046,286	541,967,520	-	544,013,806
	13,097,729,411	1,490,677,801	851,822,957	15,440,230,169

31 December 2021

KZT'000	Level 1	Level 2	Level 3	Total
Gold	10,254,959,287	-	-	10,254,959,287
Placements and loans with banks and other financial institutions	-	305,232,932	-	305,232,932
Financial instruments under management at fair value through profit or loss				
- Derivative assets	727,089	51,100	-	778,189
- Equity investments*	-	207,008,225	757,614,931	964,623,156
- Derivative liabilities	(1,800,527)	(15,743)	-	(1,816,270)
Investment securities measured at fair value through other comprehensive income				
- Debt and other fixed-income instruments	2,101,752,731	383,229,528	-	2,484,982,259
- Equity investments	26,432,358	-	-	26,432,358
	12,382,070,938	895,506,042	757,614,931	14,035,191,911

* 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 2022**

42. 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 National Bank can withdraw its investments at the reported value of net assets.

Investments in private equity funds and real estate funds

The National Bank's investments in equity investments, which are under management of NIC NBK JSC, 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 National Bank's holdings in these funds for the years ended 31 December 2022 and 31 December 2021, the National Bank 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 2022

42. 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 2022 and 31 December 2021.

	2022	2021*
	KZT'000	KZT'000
Fair value at the beginning of the year	757,614,931	453,225,787
Deposits	129,821,281	201,405,457
Payments	(79,675,853)	(109,412,710)
Income from the purchase and sale of financial assets	38,803,927	56,349,827
(Loss)/gain on changes in the fair value	(51,307,452)	140,213,406
Foreign currency revaluation reserve	56,566,123	15,833,164
Fair value at the end of the year	851,822,957	757,614,931

As at 31 December 2022, 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 8,518,230 thousand (31 December 2021: KZT 7,576,149 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 2022 and 31 December 2021, by geography of investments.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

	31 December 2022 KZT'000	31 December 2021 KZT'000
<i>Investments in real estate funds</i>		
USD	27,020,222	16,983,302
Europe	17,134,775	11,757,671
Asia	19,770,894	14,370,487
Other	1,977,089	435,469
Total investments in real estate funds	65,902,980	43,546,929
<i>Investments in private equity funds</i>		
USD	557,217,264	514,843,029
Europe	120,245,756	114,964,949
Asia	58,943,998	47,128,488
Other	49,512,959	37,131,536
Total investments in private equity funds	785,919,977	714,068,002
Total	851,822,957	757,614,931

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 2022 and 31 December 2021. 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 2022

42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

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

31 December 2021

KZT'000	Level 1	Level 2	Level 3	Total
Total direct investments	17,896,888	15,140,267	87,199,340	120,236,495
Total indirect investments measured at the assets net value	-	-	637,378,436	637,378,436
Total value of investments in private equity funds and real estate funds	17,896,888	15,140,267	724,577,776	757,614,931

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 2022 and 31 December 2021:

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42. 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	2x
Manufacturing industry	13,525,816	Market approach	EBITDA multiple	4.75x-18x
		Recent transaction*	EBITDA multiple	11x-16.25x
Information Technology	8,379,239	Market approach	-	-
Financial services	23,794,919	Market approach	EBITDA multiple	8.50x-24.50x
			P/NTAV multiple	10.50x-15x
Health care	2,218,823	Market approach	EBITDA multiple	1.7x
Machinery manufacturing	4,132,429	Market approach	EBITDA multiple	13.50x
Other investments	1,759,701	Market approach	EBITDA multiple	12.75x
Total direct investments	82,303,709		Revenue multiple	2.50x
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.

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42. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

Fair value hierarchy, continued

Sector	31 December 2021			
	Fair value (KZT'000)	Valuation technique	Unobservable inputs	Multiple
			EBITDA multiple	20x
Communication services	3,267,851	Market approach	NFY + 1 EBITDA multiple	3.5x 2.5x
Consumer goods and services	21,631,146	Market approach	Revenue multiple	5.5x-16.3x
Manufacturing industry	20,260,517	Market approach	EBITDA multiple	9.8x-14.5x
		Recent transactions*	Revenue multiple	4.4x
		Recent transactions*	-	-
Information Technology	6,894,841	Recent transactions*	-	-
Financial services	26,458,512	Market approach	EBITDA multiple P/NTAV multiple NFY EBITDA multiple	12.5x-17.8x 1.62x 15.5x
Health care	2,496,777	Market approach	EBITDA multiple	13.3x
Machinery manufacturing	3,485,708	Market approach	EBITDA multiple	14x
Other investments	2,703,988	Market approach	Revenue multiple	4.5x
Total direct investments	87,199,340			
Total indirect investments	637,378,436	Net assets value	-	-
Total direct and indirect investments	724,577,776			

* 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 2022

42. 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 2022, 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 on hand in foreign currency	-	129,948,570	129,948,570	129,948,570
Placements and loans with banks and other financial institutions	-	3,970,926,419	3,970,926,419	3,994,419,107
Reverse repurchase agreements	-	273,333,783	273,333,783	273,333,783
Investment securities measured at amortised cost	102,360,079	1,056,301,737	1,158,661,816	1,406,034,598
Other financial assets	-	1,082,817,143	1,082,817,143	1,082,817,143
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
Estimated liabilities	-	225,896,837	225,896,837	225,896,837
Other financial liabilities	-	25,350,948	25,350,948	25,350,948

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

42. 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 2021, 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 on hand in foreign currency	-	112,430,324	112,430,324	112,430,324
Placements and loans with banks and other financial institutions	-	2,940,097,589	2,940,097,589	2,890,335,090
Reverse repurchase agreements	-	549,162,352	549,162,352	549,162,352
Investment securities measured at amortised cost	56,254,294	877,771,226	934,025,520	1,193,349,488
Other financial assets	-	829,233,984	829,233,984	829,233,984
LIABILITIES				
Currency in circulation	-	3,452,220,118	3,452,220,118	3,452,220,118
Deposits and balances from banks and other financial institutions	-	7,197,414,543	7,197,414,543	7,197,414,543
Repurchase agreements	-	150,097,813	150,097,813	150,097,813
Current accounts of the National Fund of the Republic of Kazakhstan	-	1,062,130,685	1,062,130,685	1,062,130,685
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	904,928,019	904,928,019	904,928,019
Customer accounts	-	206,932,122	206,932,122	206,932,122
Debt securities issued	-	3,136,749,379	3,136,749,379	3,062,328,192
Estimated liabilities	-	61,130,493	61,130,493	61,130,493
Other financial liabilities	-	21,232,755	21,232,755	21,232,755

43. SUBSEQUENT EVENTS

On 16 March 2023, the liability recognised as part of payment of compensation (bonus) on the deposits of individuals (Note 27) placed in the national currency (KZT) was settled, following the transfer of cash of KZT 153,325,937 thousand to the current account of KSF JSC.