KASPI BANK
JOINT STOCK COMPANY

Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2022

Kaspi Bank Joint Stock Company

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Kaspi Bank Joint Stock Company

Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the Year Ended 31 December 2022

Management of Kaspi Bank Joint Stock Company is responsible for the preparation and presentation of the consolidated financial statements that presents fairly the financial position of Kaspi Bank Joint Stock Company ("the Bank") and its subsidiary ("the Group") as at 31 December 2022 and the related consolidated statements of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

These consolidated financial statements for the year ended 31 December 2022 were approved by the Chairman of the Management Board and the Chief Accountant on 10 March 2023 and will be provided to the shareholders for approval in accordance with the requirements of the legislation of the Republic of Kazakhstan.

On behalf of the Management Board:

Pavel Mironov **Chairman of the Management Board**	**Nailya Ualibekova** **Chief Accountant**
10 March 2023 Almaty, Kazakhstan	10 March 2023 Almaty, Kazakhstan

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kaspi Bank Joint Stock Company

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of loans to customers under IFRS 9 Financial instruments ("IFRS 9") As disclosed in Note 13 as at 31 December 2022, loans to customers amounted to KZT 3,154,804 million, net of the related allowance for impairment losses of KZT 214,702 million. The assessment of the measurement of expected credit losses require considerable judgment in analyzing all reasonable and supportable information at the reporting date. Key area of judgement included measuring the amount of expected credit losses by assessing the probability of a loan falling into default and the amount of recoveries expected from defaulted loans. Due to the significance of the loans' balances, magnitude of estimation uncertainties, and the complexity of judgements applied by management in measuring expected credit losses, we identified impairment of loans to customers as a key audit matter.	The audit procedures performed in this area, included: • Obtaining an understanding of the loan loss provisioning process, particularly over measurement and recognition of allowances for expected credit losses. It included an assessment of the design and implementation of relevant controls over the expected credit loss model, including model governance and mathematical accuracy; • Assessment of the changes made to the provisioning methodology developed for calculation of impairment losses in accordance with the requirements outlined in IFRS 9; • With the involvement of our internal specialists, assessment of the reasonableness of management's assumptions and input data used in the model, the probability of a loan falling into default, assessment of any recoveries expected from defaulted loans and forecasted macroeconomic variables against requirements of the accounting standards. We tested the underlying statistical data, represented by the principal balances, including the overdue principal and interest and allocation of loans by days in arrears, on a sample basis; • Testing of operating effectiveness of certain IT controls over data transfer, information capture and processing in the generation of the statistical data, represented by the principal balances, including overdue principal and allocation of loans by days in arrears; and • Consideration of the adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9 on expected credit loss.

Other Information – Annual Report

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Deloitte LLP State license on auditing in the Republic of Kazakhstan No. 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006	Zhangir Zhilysbayev Engagement Partner Qualified Auditor of the Republic of Kazakhstan Qualification certificate No.MF-0000116 dated 22 November 2012 General Director Deloitte LLP

10 March 2023
Almaty, Kazakhstan

Kaspi Bank Joint Stock Company

Consolidated Statement of Profit or Loss
For the Year Ended 31 December 2022
(in millions of KZT, except for earnings per share which are in KZT)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	3, 23	574,308	422,071
Interest expense	3, 23	(295,818)	(175,935)
NET INTEREST INCOME	3	**278,490**	**246,136**
Net gain/(loss) on financial instruments at FVTPL		11,471	(7,066)
Net gain on foreign exchange operations	5	16,761	10,662
Fee & commission income	6	380,794	319,992
Fee & commission expense	6	(69,301)	(69,522)
Net gain from derecognition of financial assets at FVTOCI		7	511
Other gains, net		859	482
NET NON-INTEREST INCOME		**340,591**	**255,059**
OPERATING INCOME		**619,081**	**501,195**
Operating expenses	7	(131,389)	(94,642)
GROSS OPERATING PROFIT		**487,692**	**406,553**
Provision expense	4	(55,165)	(34,373)
NET INCOME BEFORE INCOME TAX		**432,527**	**372,180**
Income tax expense	8	(69,619)	(58,551)
NET INCOME		**362,908**	**313,629**
Earnings per share			
Basic and diluted (KZT)	9	19,388	16,755

On behalf of the Management Board:

Pavel Mironov
Chairman of the Management Board

Nailya Ualibekova
Chief Accountant

The notes on pages 12-64 form an integral part of these consolidated financial statements.

Kaspi Bank Joint Stock Company

Consolidated Statement of Other Comprehensive Income
For the Year Ended 31 December 2022
(in millions of KZT, except for earnings per share which are in KZT)

	Year ended 31 December 2022	Year ended 31 December 2021
NET INCOME	**362,908**	**313,629**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Movement in investment revaluation reserve for equity instruments at FVTOCI	(68)	86
Items that may be reclassified subsequently to profit or loss:		
Movement in investment revaluation reserve for debt instruments at FVTOCI:		
Losses arising during the period, net of tax KZT Nil	(9,759)	(2,201)
(Recoveries)/expected credit losses recognised in profit or loss	(2,053)	44
Reclassification of losses included in profit or loss, net of tax KZT Nil	(7)	(511)
Other comprehensive loss for the year	(11,887)	(2,582)
TOTAL COMPREHENSIVE INCOME	**351,021**	**311,047**

On behalf of the Management Board:

Pavel Mironov
Chairman of the Management Board

Nailya Ualibekova
Chief Accountant

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Kaspi Bank Joint Stock Company

Consolidated Statement of Financial Position
As at 31 December 2022
(in millions of KZT, except for earnings per share which are in KZT)

	Notes	31 December 2022	31 December 2021
ASSETS:			
Cash and cash equivalents	10	610,005	339,428
Mandatory cash balances with National Bank of the Republic of Kazakhstan		42,917	32,734
Due from banks		24,845	50,903
Financial assets at FVTOCI	11	1,076,242	606,462
Financial assets at FVTPL	12	30	955
Loans to customers	13, 23	3,154,804	2,430,728
Property, equipment and intangible assets	14	85,910	61,894
Current income tax assets		14	28
Other assets	15, 23	69,991	54,800
TOTAL ASSETS		**5,064,758**	**3,577,932**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	16	16,119	75,524
Customer accounts	17, 23	4,246,335	2,861,975
Financial liabilities at FVTPL		147	2,408
Debt securities issued	18	140,378	139,711
Deferred income tax liabilities	8	2,978	2,457
Subordinated debt	20	67,678	67,735
Other liabilities	19,23	49,392	34,322
TOTAL LIABILITIES		**4,523,027**	**3,184,132**
EQUITY:			
Share capital	21	8,099	8,509
Share premium		1,308	1,308
Revaluation (deficit)/reserve of financial assets measured at FVTOCI		(10,723)	1,164
Property revaluation reserve		1,507	1,546
Retained earnings		541,540	381,273
TOTAL EQUITY		**541,731**	**393,800**
TOTAL LIABILITIES AND EQUITY		**5,064,758**	**3,577,932**

On behalf of the Management Board:

Pavel Mironov
Chairman of the Management Board

Nailya Ualibekova
Chief Accountant

The notes on pages 12-64 form an integral part of these consolidated financial statements.

Consolidated Statement Of Changes in Equity
For the Year Ended 31 December 2022

(in millions of KZT, except for earnings per share which are in KZT)

	Share capital			Treasury shares					
	Ordinary shares	Preference shares	Share premium	Ordinary shares	Preference shares	Revaluation reserve of financial assets measured at FVTOCI	Property revaluation reserve	Retained earnings	Total equity
Balance at 31 December 2020	**17,791**	**409**	**1,308**	**(9,138)**	**(553)**	**3,746**	**1,585**	**243,180**	**258,328**
Net income	-	-	-	-	-	-	-	313,629	313,629
Other comprehensive loss	-	-	-	-	-	(2,582)	-	-	(2,582)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,582)**	**-**	**313,629**	**311,047**
Release of property revaluation reserve due to depreciation and sale, net of tax KZT 10 million	-	-	-	-	-	-	(39)	39	-
Dividends declared	-	-	-	-	-	-	-	(175,575)	(175,575)
Balance at 31 December 2021	**17,791**	**409**	**1,308**	**(9,138)**	**(553)**	**1,164**	**1,546**	**381,273**	**393,800**
Net income	-	-	-	-	-	-	-	362,908	362,908
Other comprehensive loss	-	-	-	-	-	(11,887)	-	-	(11,887)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(11,887)**	**-**	**362,908**	**351,021**
Release of property revaluation reserve due to depreciation and sale, net of tax KZT 10 million	-	-	-	-	-	-	(39)	39	-
Adjustment of previous years	-	-	-	(410)	-	-	-	410	-
Dividends declared	-	-	-	-	-	-	-	(203,090)	(203,090)
Balance at 31 December 2022	**17,791**	**409**	**1,308**	**(9,548)**	**(553)**	**(10,723)**	**1,507**	**541,540**	**541,731**

On behalf of the Management Board:

Pavel Mironov
Chairman of the Management Board

Nailya Ualibekova
Chief Accountant

The notes on pages 12-64 form an integral part of these consolidated financial statements.

Kaspi Bank Joint Stock Company

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022

(in millions of KZT, except for earnings per share which are in KZT)

	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from loans to customers	465,988	334,300
Other interest received	46,277	30,802
Interest paid	(273,281)	(165,950)
Expenses paid on obligatory insurance of individual deposits	(7,251)	(6,688)
Fee & commission received	374,302	330,431
Fee & commission paid	(68,122)	(69,510)
Other income received	36,605	496
Operating expenses paid	(114,879)	(84,896)
Cash flows from operating activities before changes in operating assets and liabilities	**459,639**	**368,985**
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Mandatory cash balances with NBRK	(10,183)	(5,075)
Financial assets at FVTPL	12,396	(4,296)
Due from banks	28,137	(5,577)
Loans to customers	(760,664)	(1,057,583)
Other assets	(23,117)	4,289
Increase/(decrease) in operating liabilities:		
Due to banks	(59,402)	75,586
Customer accounts	1,333,132	576,793
Financial liabilities at FVTPL	(2,261)	(585)
Other liabilities	9,014	176
Cash inflow/(outflow) from operating activities before income tax	986,691	(47,287)
Income tax paid	(67,332)	(56,923)
Net cash inflow/(outflow) from operating activities	**919,359**	**(104,210)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(33,321)	(23,555)
Proceeds on sale of property and equipment	528	80
Proceeds on sale of financial assets at FVTOCI	1,091,918	1,362,302
Purchase of financial assets at FVTOCI	(1,520,139)	(1,047,426)
Proceeds on sale of subsidiary	-	4,500
Net cash (outflow)/ inflow from investing activities	**(461,014)**	**295,901**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(203,115)	(175,698)
Repayment of subordinated debt	-	(10,371)
Net cash outflow from financing activities	**(203,115)**	**(186,069)**
Effect of changes in foreign exchange rate on cash and cash equivalents	15,347	4,174
NET INCREASE IN CASH AND CASH EQUIVALENTS	270,577	9,796
CASH AND CASH EQUIVALENTS, beginning of period	339,428	329,632
CASH AND CASH EQUIVALENTS, end of period	**610,005**	**339,428**

On behalf of the Management Board:

Pavel Mironov
Chairman of the Management Board

Nailya Ualibekova
Chief Accountant

The notes on pages 12-64 form an integral part of these consolidated financial statements.

(in millions of KZT, except for earnings per share which are in KZT)

1. Organisation

Kaspi Bank Joint Stock Company ("the Bank") was incorporated in the Republic of Kazakhstan in December 1997. The Bank is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market ("the FMRDA") and conducts its business under license for conducting bank operations No. 1.2.245/61 issued on 3 February 2020. The Bank's primary business consists of consumer commercial banking activities.

The registered address of the Bank is 154 «A», Nauryzbay Batyr Street, Almaty, 050013, the Republic of Kazakhstan.

As at 31 December 2022 and 2021, the Bank had 113 and 114 outlets, respectively.

The Bank is the parent company of a banking group which consists of the following company consolidated in these financial statements:

Name	Country of operation	The Bank's ownership interest/percentage of voting shares (%)		Type of operation
		2022	2021	
ARK Balance LLP	Kazakhstan	100%	100%	Stress assets' management

ARK Balance LLP was formed in December 2013. The principal activity of ARK Balance LLP is distressed asset management.

The shareholders' structure of the Bank was as follows:

	31 December 2022, %	31 December 2021, %
Shareholders		
Kaspi Group JSC	94.40	94.40
Kaspi.kz JSC	4.55	4.55
Other	1.05	1.05
Total	**100.00**	**100.00**

	31 December 2022, %	31 December 2021, %
Ultimate shareholders:		
Baring Vostok Funds	28.50	28.41
Mikheil Lomtadze	24.29	23.05
Vyacheslav Kim	23.10	23.88
Public Investors	21.02	21.84
Management	3.09	2.82
Total	**100.00**	**100.00**

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

During January 2022 in Kazakhstan, a number of facilities were looted and damaged, including facilities of the Group. To respond to these events, the Government imposed a two-week state of emergency throughout the territory of Kazakhstan and introduced certain restrictions on movement of the population and activities of entities in certain locations. Although our Mobile App continued to operate, there were significant limitations on internet access throughout Kazakhstan, which led to disruption of online transactions. Financial organisations limited their operations for the period of the state of emergency. Due to these events, losses of the Company were around KZT 690 million.

In response to the economic implications of January events, the Government launched several initiatives. A special charitable fund "For the People of Kazakhstan", which is funded from private and public sources, was established to support citizens of Kazakhstan in the field of healthcare, education and provide other social support. The Bank has contributed KZT 7 billion to the fund.

On 24 February 2022, due to external geopolitical situation, the NBRK has set the base rate at 13.5% p.a. with a corridor of +/- 1 p.p. As at 31 December 2022, the NBRK's base rate was set at 16.75% p.a. with a corridor of +/- 1 p.p. In order to maintain the stability of the financial market and support the attractiveness of tenge deposits, the Government has announced the protection program for tenge deposits, under which tenge deposits of individuals will be provided with compensation from Government budget resources equal to 10% of savings as at 23 February 2022.

The changes in the operating environment caused by the geopolitical situation have had insignificant and limited impact on the Group's operations.

The anti-Russian sanctions have had insignificant and limited impact on the Group's currency and credit risks due to insignificant amounts of balances on current accounts in banks of Russian Federation and securities of issuers of Russian Federation. Management of the Group is monitoring developments in the economic and political situation, including for publicly available sanctions risks and takes measures it considers necessary to support the sustainability and development of the Group's business for the foreseeable future.

The Management's analysis of the Group's liquidity and capital position as at 31 December 2022, demonstrates that the Group has sufficient liquidity buffer and will continue to comply with regulatory requirements, including liquidity risk and capital adequacy ratios, for the foreseeable future. The Group has reflected the most recent macroeconomic outlooks, as well as actual customers' loan repayment statistics in its ECL estimates.

(in millions of KZT, except for earnings per share which are in KZT)

These consolidated financial statements were approved by the Chairman of the Management Board and the Chief Accountant on 10 March 2023 and will be provided to the shareholders for approval at the annual general meeting of shareholders in accordance with the requirements of the legislation of the Republic of Kazakhstan.

2. Basis of preparation and significant accounting policies

Basis of preparation

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

The Bank and its subsidiary maintain their accounting records in accordance with IFRS. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. The Group presents its statement of financial position in order of liquidity.

Foreign currency translation

In preparing the financial statements of each individual entity, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates or exchange rates prevailing at the reporting date. Transactions in foreign currencies are initially recorded at their spot rates at the date of the transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Rates of exchange

The exchange rates at the period-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2022	31 December 2021
KZT/USD	462.65	431.80
KZT/EUR	492.86	489.10

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern, as the Group has the resources to continue in operation for the foreseeable future. In making this assessment, the management has considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (its subsidiary). Control is achieved when the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary.

Leases

The Group as lessee

The Group as lessee recognises a right-of-use asset and a corresponding liability to pay future rentals on the consolidated statement of financial position. The asset will be amortised over the shorter of the length of the lease and the useful economic life, subject to review for impairment, and the liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate.

The Group recognises lease payments for short-term leases or leases in which the base asset has a low value as an expense during the lease period. In a long-term lease, assets are recognised at the lease start date as right-of-use and a lease liability.

A right-of-use asset is recognised in accounting at initial value inclusive of value added tax – the initial measurement of lease liabilities and lease payments as at the lease start date or before that date less lease facilitating payments received and any initial direct lease costs.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash balances with NBRK, reverse repurchase agreements and unrestricted balances on correspondent accounts and deposits with other banks with original maturities within three months and are free from contractual encumbrances. Cash and cash equivalents are measured at amortised cost.

Mandatory cash balances with NBRK

Mandatory cash balances with NBRK represent funds in correspondent accounts with the NBRK and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks initially are recognised at fair value. Due from banks are subsequently measured at amortised cost using the effective interest method, and are carried net of allowance for impairment losses.

Property, equipment and intangible assets

Property, equipment and intangible assets, except land and buildings, are carried at historical cost less accumulated depreciation and any recognised impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortisation of intangible assets is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation has been calculated on a straight-line basis at 2% per annum for buildings and construction and 10%-33.3% for furniture and computers and intangible assets.

Leasehold improvements are amortised over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses in the consolidated statement of profit or loss, unless they qualify for capitalisation.

Buildings and constructions held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation defined on the basis of market data by qualified independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of property is recognised and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the consolidated profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in the consolidated profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. Depreciation of property revaluation reserve is transferred from property revaluation reserve to retained earnings on an annual basis. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognised impairment loss. Depreciation is calculated on a straight-line basis over the useful life of the assets.

The expenses associated with the registration of ownership, maintenance and valuation of investment property are included in the cost of sales.

The depreciation expense and payment of taxes associated with ownership of investment property are included in general and administrative expenses. Investment property is disclosed within other non-financial assets in the consolidated financial statements (Note 15).

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

The Group records a provision for uncertain tax positions if it is probable that the Group will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Group's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

Share-based compensation

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

In the third quarter of 2021, the Group replaced its phantom shares program with share options of Kaspi.kz to better align the interest of the participants with the long-term interests of the Company and its Shareholders. As a result of such modification, a liability for phantom shares as at the date of replacement was derecognised and share options measured at their fair value at the date of the replacement were recognised in Kaspi.kz.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of the financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Financial instruments

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" ("SPPI") criterion, are classified at initial recognition as fair value through profit or loss ("FVTPL"). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", are measured at FVTPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model under which these instruments are managed:

- Financial assets, other than equity investments, that are managed on a "hold to collect" basis are measured at amortised cost;
- Financial assets, other than equity investments, that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income ("FVTOCI");
- Financial assets, including equity investments, that are managed on another basis, including trading financial assets, will be measured at FVTPL.

Equity financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify an instrument as FVTOCI. For equity investments classified as FVTOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit or loss.

Financial assets, other than equity investments, that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

After initial measurement, amortised cost financial assets are measured using the effective interest rate method, less any impairment losses. The fair value of FVTPL and FVTOCI financial assets is determined under IFRS 13 "*Fair Value Measurement*" ("IFRS 13"). The fair value gains or losses for FVTPL are recognised in the statement of profit or loss and for FVTOCI are recognised in the other comprehensive income, until these instruments are disposed.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. These instruments are accounted for at fair value under IFRS 9. The Group has designated these investments in equity instruments at FVTOCI as the Group plans to hold them in the long term for strategic reasons.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. All derivative financial instruments are classified as held for trading and measured at fair value through profit or loss and are not designated for hedge accounting.

Expected credit loss ("ECL") measurement – definitions

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL measurement is based on four components used by the Group:

- *Exposure at Default ("EAD")* – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- *Probability of Default ("PD")* – an estimate of the likelihood of default to occur over a given time period.
- *Loss Given Default ("LGD")* – an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- *Discount Rate* – a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Default and credit-impaired assets

The financial asset is considered to be in default, or credit impaired, when it meets one or more of the following criteria:

For individually significant loans (except interbank exposures):

- The borrower is more than 60 days past due on its contractual payments (regulatory definition of default for individually significant loans);
- Significant deterioration of the borrower's operating results;
- The bank has sold the borrower's debt with losses;
- The loan has experienced a forced restructuring due to deterioration in the borrower's creditworthiness;
- The misuse of borrowed funds;
- The borrower is deceased (retail loans);
- The borrower is insolvent (bankruptcy) for corporate customers;
- The borrower's debt was partially or fully written off due to a significant increase in credit risk.

For homogeneous loans:

- The borrower is more than 90 days past due on its contractual payments;
- The bank has sold the borrower's debt with losses;
- The loan had experienced a forced restructuring due to a deterioration in borrower creditworthiness;
- The borrower is deceased (retail loans);
- The borrower's debt was partially or fully written off due to a significant increase in credit risk.

For other financial assets, debt securities and due from banks:

- The counterparty or issuer rated at C or less;
- The counterparty or issuer is more than 30 days past due;
- The counterparty or issuer has significant deterioration of operating results.

Significant increase in credit risk ("SICR")

The SICR assessment is performed on an individual basis and on a portfolio basis. SICR for individually significant loans is assessed on an individual basis by monitoring the triggers stated below. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Group's risk department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or subsidiary criteria have been met:

For individually significant loans:

- Increase in lifetime probability of default over defined thresholds;
- The number of days past due is higher than 30 but lower than 60;
- The increase in credit risk, expressed in the relative threshold based on internal ratings is significant. SICR is determined based on the comparison date and credit risk rating as of the reporting date for each financial asset individually.

For homogeneous loans:

- Increase in lifetime probability of default over defined thresholds;
- The number of days past due is more than 30 but less than 90;
- External factors affect the solvency of individual groups of individuals (such as natural disasters, closure of the city-forming enterprise in the region, etc.).

For other financial assets, debt securities and due from banks:

- Deterioration of the counterparty's or issuer's rating by 4 notches;
- Deterioration of the counterparty's or issuer's rating up to CCC+;
- Deterioration of operating results of the counterparty or issuer.

ECL measurement - description of estimation techniques

General principle

For financial assets that are not purchased or originated credit impaired ("POCI") assets. ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether the borrower's credit risk has increased significantly in a three-stage model for ECL measurement:

Stage 1: a group of financial instruments for which no significant increase in the credit risk level has been recorded since initial recognition and provisions for this group are created as 12-month ECL, and interest income is calculated based on the gross carrying amount of the financial asset.

Stage 2: a group of financial instruments for which a significant increase in the credit risk level has been recorded since the initial recognition and provisions for which equal ECL for the instrument's lifetime, and interest income is calculated based on the gross carrying amount of the financial asset.

Stage 3: a group of credit-impaired financial instruments, for which provisions equal the ECL amount for the instrument's lifetime, and interest income is accrued based on the carrying amount of the asset, net of the loss allowance.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), and at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition.

The Group performs individual assessments for credit-impaired loans.

The Group performs assessments on a portfolio basis for retail loans and loans issued to small and medium entities ("SMEs"). This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as delinquency, historical data on losses and forward-looking macroeconomic information.

Macroeconomic overlay and macroeconomic scenarios

The Group incorporates forward looking information in its impairment calculations via macroeconomic models, which leads to a direct adjustment of default probabilities. Since the Group cannot predict the future realisation of these macroeconomic parameters, it uses three scenarios - a base scenario, an optimistic scenario and a pessimistic scenario. The latter two scenarios are linked to a weight of 17% and 33% (31 December 2021: 12% and 23%). The base scenario has an attached weight of 50% (31 December 2021: 65%) in the calculation. For each scenario a set of values for the relevant macroeconomic variables is used as an input for the macroeconomic model, which subsequently is applied to adjust the relevant input parameter.

The List of Macroeconomic Indicators

- Change of nominal exchange rate USD/KZT;
- Unemployment.

Based on the results of annual ECL model validation results, conducted during 4th quarter 2022, the Group introduced a number of changes based on behaviour of our portfolios. The main changes were associated with portfolio segmentation and the replacement of a key macroeconomic indicator. Merchant and micro business finance loans were launched in late 2020 and as the statistical data has become available, we have created a new portfolio segment to reflect this. Real GDP growth was replaced by nominal USD/KZT exchange rate, due to the loss of descriptive power of the former and increase in descriptive power of the latter. The weights of forecasted scenarios were reassessed accordingly. Changes to the model in aggregate led to a change in the probability of default values. The effect on ECL was equivalent to a KZT 5,405 million decrease in loss allowance as at 31 December 2022.

ECL measurement – description of estimation techniques

Principles of individual assessment – ECL assessments on an individual basis are done by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines three possible outcomes for each loan.

Principles of portfolio assessments – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, so that exposure to risk within a group are homogeneous.

Examples of shared characteristics include product type and the amount of debt.

Two types of PDs are used to calculate ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months (or over the remaining life of a financial instrument if less than 12 months). This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historical default data and adjusted for forward-looking information;
- Lifetime PDs – the estimated probability of a default occurring over the remaining life of a financial instrument. This parameter is used to calculate lifetime ECLs. An assessment of a lifetime PD is based on the latest available historic default data and adjusted for forward looking information.

To calculate Lifetime PD, the Group uses different statistical approaches depending on the segment and product type, such as the extrapolation of 12-month PDs based on migration matrices, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure and assessed on a collective basis based on the latest available recovery statistics.

For unsecured loans Group calculates LGD based on historical NPL collection statistics. For loans secured by cars, real estate, cash and liquid securities, the Group calculates LGD based on specific collateral characteristics, such as projected collateral values, historical sales discounts and other factors.

Modification of loans to customers

The Group modifies loans to customers in temporary financial difficulty in order to allow a borrower to recover solvency. Modification of loans is provided in the form of short-term revision of loan terms and may include the reduction of interest rate, reduction of monthly payment amount, extension of the loan term, or a combination of these measures that do not lead to derecognition of the financial asset. After the recovery period, ordinary contractual terms are to be applied. The recovery period is agreed in the modification terms, but in most cases is set for 6 months.

Modification of loan is provided only once and to the borrowers with overdue less than 90 days on a modification date, where sufficient grounds exist to support its recoverability.

During the recovery period, such modified loans are classified to Stage 3, with corresponding increase in loss allowance. After the recovery period, such modified loans are allocated to the relevant impairment category, based on its days past due and impairment methodology.

Restructuring of loans to customers

The Group restructures loans of the defaulted borrowers by providing interest free extended schedule. New schedule of a loan have an annuity structure with no grace period. The Group derecognises loan to a customer, when the terms of such loan have been substantially renegotiated (difference between the adjusted discounted present value and the original carrying amount of the loan is greater than 25 percent). Such newly recognised restructured loans are deemed to be POCI (purchased or originated credit impaired). The difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The Group classifies restructured loans to Stage 3 for at least 1 year, when the terms of such loan have been renegotiated not substantially.

Write off of loans to customers

Loans are written off against the allowance for impairment losses. The decision to write off is taken by the Credit Committee for loans overdue more than 1,080 days, which is in line with the Group's collection procedures and statistics. However write off of loans does not indicate that no other actions will be undertaken to collect the loans. As at 31 December 2021 loans that were overdue more than 761 days were written off. To reflect improved collection results and higher cash flow expectations, as at 31 December 2022 the Group has recovered on balance sheet previously written-off loans that were overdue up to 1,080 days. Recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

Financial liabilities

Financial liabilities, such as due to banks, customer accounts, debt securities issued, subordinated debt and other financial liabilities are initially recognised at fair value. Subsequently amounts due are stated at amortised cost and any difference between carrying and redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method as a component of interest expense.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

Recognition of interest income and expense

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument or, (where appropriate) a shorter period to the gross carrying amount.

Interest earned on assets at fair value is classified within interest income.

Fees and commissions that are included in the effective interest rate are recognised in accordance with IFRS 9, all other fees and commissions are accounted for in accordance with IFRS 15 "*Revenue from contracts with customers*" ("IFRS 15").

Revenue recognition

The Group recognised revenue from the following major sources:

Fees & commission income mainly includes banking service fees and commissions. Banking service fees and commissions are recognised over a period in which the related service is provided, typically monthly, and include the following services of Kaspi.kz, such as access to wide network of Kaspi ATMs with free cash withdrawals up to certain limits, 24-hour service line support, charge-free transfers between Kaspi clients' accounts and bill payments for services via kaspi.kz website and mobile application, SMS and mobile push notification services.

Seller fees include fees paid by merchants from shopping transaction. Seller fees are recognised when the services are rendered, which generally occurs upon delivery of the related products and services to the customer.

The Group earns transaction and membership revenues when processing payments/transactions and engaging customers in Kaspi.kz Super App. This includes transaction fees paid by merchants when the Group enables various payment and purchase transactions. Transaction fees charged to customers for processing services such as cash withdrawals over certain limits and P2P (peer-to-peer) money transfers to other banks' cards and worldwide. Such fees are recognised when the associated service is satisfied, which normally occurs at the point in time the service is requested by client and provided by the Group.

Membership fee revenue is deferred and recognised over the terms of the applicable memberships, typically for one year, on a straight-line basis. Membership fees are paid on a monthly/quarterly basis or paid up front at the beginning of the applicable membership period by customers and merchants for accessing various Kaspi.kz services. Memberships are cancellable and non-refundable.

Share capital and share premium

Contributions to share capital are recognised at cost. Non-cash contributions are not included into the share capital until realised in cash.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognised at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Group at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

Dividends on ordinary shares are recognised in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "*Events after the Reporting Period*" ("IAS 10") and disclosed accordingly.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Revaluation reserve of financial assets, which comprises changes in fair value of financial assets at FVTOCI and allowance for impairment losses for debt instruments measured at FVTOCI;
- Property revaluation reserve, which comprises revaluation reserve of land and building.

Retirement and other benefit obligations

In accordance with the requirements of the Republic of Kazakhstan in which the Group operates, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension fund, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged to the consolidated statement of profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension fund. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The critical judgments, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements. Significant judgments have been made in the business model assessment, significant increase in credit risk, models and assumptions used which are discussed further and in Note 27.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Assessment of significant increase of credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Incorporation of forward looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect credit risk. Refer to Note 27 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 27 for more details on ECL and Note 25 for more details on fair value measurement.

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 25 for more details on fair value measurement.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit or loss could be material.

Had the management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available, would have resulted that could have had a material impact on the Group's reported net income.

(in millions of KZT, except for earnings per share which are in KZT)

Adoption of new and revised Standards

New and revised IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Group effective 1 January 2022:

Amendments to IAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*
Annual Improvements to IFRS Standards 2018–2020 (May 2020)	*Annual Improvements to IFRS Standards 2018–2020 (May 2020)*
Amendments to IFRS 3 (May 2020)	*Reference to the Conceptual Framework*
Amendments to IAS 37 (May 2020)	*Onerous Contracts - Cost of Fulfilling a Contract*

The above standards and interpretations were reviewed by the Group's management, and determined to not have a significant effect on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current — Deferral of Effective Date	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023
Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024

The management does not expect that the adoption of the Standards listed above to have a material impact on the consolidated financial statements of the Group in future periods.

(in millions of KZT, except for earnings per share which are in KZT)

3. Net interest income

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income:		
Interest income on financial assets measured at FVTOCI	89,235	83,735
Interest income on financial assets recorded at amortised cost comprises:		
Interest income on loans to customers	475,300	334,873
Interest income on due from banks	9,773	3,463
Total interest income on financial assets recorded at amortised cost	485,073	338,336
Total interest income	**574,308**	**422,071**
Interest expense:		
Interest expense on financial liabilities recorded at amortised cost	(295,818)	(175,935)
Total interest expense	**(295,818)**	**(175,935)**
Interest expense on financial liabilities recorded at amortised cost comprises:		
Interest expense on customer accounts	(259,020)	(146,080)
Interest expense on debt securities issued	(13,896)	(13,825)
Interest expense on due to banks	(8,885)	(2,113)
Interest expense on subordinated debt	(6,766)	(7,229)
Expenses on obligatory insurance of individual deposits	(7,251)	(6,688)
Total interest expense on financial liabilities recorded at amortised cost	(295,818)	(175,935)
Net interest income	**278,490**	**246,136**

(in millions of KZT, except for earnings per share which are in KZT)

4. Provision expense

The movements in loss allowance were as follows:

	Loans to customers			Due from banks	Financial assets at FVTOCI			Cash and cash equivalents	Other assets	Contin-gencies	Total
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 3**	**Stage 1**	
Loss allowance for ECL as at 31 December 2021	**64,043**	**10,582**	**67,791**	**19**	**130**	**-**	**2,662**	**1**	**3,819**	**22**	**149,069**
Changes in provisions											
-Transfer to Stage 1	3,544	(1,138)	(2,406)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(6,970)	7,208	(238)	-	(3)	3	-	-	-	-	-
-Transfer to Stage 3	(13,854)	(7,014)	20,868	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(14,545)	4,429	33,307	(14)	3	653	-	2	1,303	21	25,159
New assets issued or acquired	65,888	-	-	-	10	-	-	-	-	-	65,898
Modification effect	-	-	8,435	-	-	-	-	-	-	-	8,435
Repaid assets (except for write off)	(30,502)	(2,282)	(11,485)	-	(58)	-	-	-	-	-	(44,327)
Write-off, net of recoveries	-	-	19,029	-	-	-	-	-	(80)	-	18,949
Reclassification of financial assets	-	-	-	-	-	-	(2,662)	-	2,662	-	-
Foreign exchange difference	-	-	12	1	-	-	-	-	13	1	27
As at 31 December 2022	**67,604**	**11,785**	**135,313**	**6**	**82**	**656**	**-**	**3**	**7,717**	**44**	**223,210**

(in millions of KZT, except for earnings per share which are in KZT)

	Loans to customers			Due from banks	Financial assets at FVTOCI			Cash and cash equivalents	Other assets	Contin-gencies	Total
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 3**	**Stage 1**	
Loss allowance for ECL as at 31 December 2020	**40,062**	**7,674**	**74,153**	**26**	**374**	**-**	**2,564**	**3**	**2,058**	**28**	**126,942**
Changes in provisions											
-Transfer to Stage 1	5,556	(1,145)	(4,411)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(335)	832	(497)	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(2,033)	(4,723)	6,756	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(8,490)	9,608	16,509	(8)	(54)	-	278	(2)	2,365	3	20,209
New assets issued or acquired	54,379	-	-	-	8	-	-	-	-	-	54,387
Repaid assets (except for write off)	(25,096)	(1,664)	(13,265)	-	(198)	-	-	-	-	-	(40,223)
Write-off, net of recoveries	-	-	(11,458)	-	-	-	(180)	-	(605)	(9)	(12,252)
Foreign exchange difference	-	-	4	1	-	-	-	-	1	-	6
As at 31 December 2021	**64,043**	**10,582**	**67,791**	**19**	**130**	**-**	**2,662**	**1**	**3,819**	**22**	**149,069**

Net changes, resulting from changes in credit risk parameters include decrease of provisions due to partial repayment of loans.

As at 31 December 2022 and 2021, the allowance for expected credit losses on financial assets at FVTOCI of KZT 738 million and KZT 2,792 million, respectively, is included in the 'Revaluation reserve of financial assets' within equity.

Reclassification of financial assets from financial assets carried at FVTOCI to other assets relates to the bonds, which have matured, but not repaid as at 31 December 2022.

(in millions of KZT, except for earnings per share which are in KZT)

5. Net gain on foreign exchange operations

	Year ended 31 December 2022	Year ended 31 December 2021
Dealing, net	35,542	15,738
Net loss from revaluation	(18,781)	(5,076)
Net gain on foreign exchange operations	**16,761**	**10,662**

6. Fee & commission income and expense

	Year ended 31 December 2022	Year ended 31 December 2021
Fee & commission income:		
Banking fees & commissions	227,688	191,233
Transaction & membership fees	153,059	127,966
Seller fees	47	793
Total fee & commission income	**380,794**	**319,992**

	Year ended 31 December 2022	Year ended 31 December 2021
Fee & commission expense:		
Kaspi Bonus	(45,082)	(52,050)
Transaction expenses	(24,219)	(17,472)
Total fee & commission expense	**(69,301)**	**(69,522)**

7. Operating expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Employee benefits	45,913	37,106
Administrative expenses	24,934	18,530
Depreciation and amortisation	14,808	11,072
Charity	11,294	771
Taxes, other than income tax	6,523	6,034
Operating leases	6,464	5,973
Marketing & advertising expenses	2,146	1,541
Other expenses	19,307	13,615
Total operating expenses	**131,389**	**94,642**

8. Income tax

The Group provides for taxes for the current period based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan, where the Bank and its subsidiary operate and which may differ from IFRS.

(in millions of KZT, except for earnings per share which are in KZT)

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Deferred income tax liabilities comprise:

	31 December 2022	31 December 2021
Vacation reserve, accrued bonuses	872	779
Property, equipment and intangible assets	(3,850)	(3,252)
Other	-	16
Net deferred tax liability	**(2,978)**	**(2,457)**

Relationships between tax expenses and accounting profit are explained as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Net income before income tax	**432,527**	**372,180**
Tax at the statutory tax rate of 20%	(86,505)	(74,436)
Non-taxable income	17,296	15,994
Adjustment recognised in the period for current tax of prior periods	334	1,626
Non-deductible expense	(744)	(1,735)
Income tax expense	**(69,619)**	**(58,551)**
Current income tax expense	(69,422)	(59,890)
Adjustment recognised in the period for current tax of prior periods	334	1,626
Deferred income tax expense	(531)	(287)
Income tax expense	**(69,619)**	**(58,551)**

Non-taxable income was represented by interest income on governmental and other qualified securities in accordance with the tax legislation. Corporate income tax rate is 20% in Kazakhstan.

	Year ended 31 December 2022	Year ended 31 December 2021
Net deferred tax liabilities		
At the beginning of the period	**(2,457)**	**(2,180)**
Change in deferred income tax balances recognised in equity	10	10
Change in deferred income tax balances recognised in profit or loss	(531)	(287)
At the end of the period	**(2,978)**	**(2,457)**

(in millions of KZT, except for earnings per share which are in KZT)

9. Earnings per share

	Year ended 31 December 2022	Year ended 31 December 2021
Net income	362,908	313,629
Less: dividends on preferred shares that would be paid on full distribution of profit	(7,222)	(6,241)
	355,686	**307,388**
Weighted average number of ordinary shares for basic and diluted earnings per share	18,345,540	18,345,540
Earnings per share – basic and diluted (KZT)	**19,388**	**16,755**

10. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	178,415	149,768
Current accounts with other banks	192,190	160,751
Short-term deposits with other banks	229,389	28,909
Reverse repurchase agreements	10,011	-
Total cash and cash equivalents	**610,005**	**339,428**

Cash on hand includes cash balances with ATMs and cash in transit. As at 31 December 2022 and 2021, current accounts and short-term deposits with National Bank of the Republic of Kazakhstan are KZT 220,109 million and KZT 84,053 million, respectively.

As at 31 December 2022 and 2021, the fair value of collateral of reverse repurchase agreements classified as cash and cash equivalents are KZT 9,544 million and KZT Nil, respectively.

11. Financial assets at FVTOCI

Financial assets at FVTOCI comprise:

	31 December 2022	31 December 2021
Debt securities	1,075,955	606,107
Equity investments	287	355
Total financial assets at FVTOCI	**1,076,242**	**606,462**

(in millions of KZT, except for earnings per share which are in KZT)

	Interest rate, %	31 December 2022	Interest rate, %	31 December 2021
Debt securities				
Discount notes of the NBRK	16.03	538,100	8.92-9.39	54,448
Bonds of the Ministry of Finance of the Republic of Kazakhstan	0.60-16.03	350,670	0.60-10.50	292,717
Corporate bonds	2.00-11.80	186,819	2.00-13.00	258,538
Sovereign bonds of foreign countries	0.63	366	0.63	404
Total debt securities		**1,075,955**		**606,107**

As at 31 December 2022 and 2021, accrued interest of KZT 25,928 million and KZT 22,713 million, respectively, was included in financial assets at FVTOCI.

As at 31 December 2022 and 2021, financial assets at FVTOCI included corporate bonds for the total amount of KZT 16,119 million and KZT 75,524 million, respectively, that were pledged under repurchase agreements with other banks (Note 16).

The assumptions applied in determining fair values are described in Note 25.

12. Financial assets and liabilities at FVTPL

Financial assets at FVTPL:

	31 December 2022	31 December 2021
Financial assets at FVTPL:		
Derivative financial instruments	30	955
Total financial assets at FVTPL	**30**	**955**

Financial liabilities at FVTPL:

	31 December 2022	31 December 2021
Financial liabilities at FVTPL:		
Derivative financial instruments	147	2,408
Total financial liabilities at FVTPL	**147**	**2,408**

As at 31 December 2022, financial assets at FVTPL included swap and spot instruments of KZT 30 million (2021: KZT 98 million) with a notional amount of KZT 102,563 million (2021: KZT 60,914 million) and forwards of KZT Nil (2021: KZT 857 million) with a notional amount of KZT Nil (2021: KZT 126,348 million).

As at 31 December 2022, financial liabilities at FVTPL included swap and spot instruments of KZT 3 million (2021: KZT 67 million) with a notional amount of KZT 102,498 million (2021: KZT 60,986 million) and forwards of KZT 144 million (2021: KZT 2,341 million) with a notional amount of KZT 8,598 million (2021: KZT 134,704 million).

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in over-the-counter markets. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

(in millions of KZT, except for earnings per share which are in KZT)

13. Loans to customers

	31 December 2022	31 December 2021
Gross loans to customers	3,369,506	2,573,144
Less: allowance for impairment losses (Note 4)	(214,702)	(142,416)
Total loans to customers	**3,154,804**	**2,430,728**

Movements in allowances for impairment losses on loans to customers for the periods ended 31 December 2022 and 2021, are disclosed in Note 4.

As at 31 December 2022 and 2021, accrued interest of KZT 35,924 million and KZT 27,648 million, respectively, was included in loans to customers.

Loans with principal or accrued interest in arrears for more than 90 days are classified as "Non-performing loans" ("NPL"). Allowance for impairment to gross NPLs reflects the Group's ability to absorb potential losses from non-performing loans. Considering the ratio represents impairment loan loss allowances for all loans as a percentage of NPLs, the ratio can be more than 100%. With the adoption of IFRS 9, these loans were classified in Stage 3.

The following tables sets forth the Group's outstanding NPLs as compared to the total allowance for impairment losses on total loans to customers:

	Gross NPLs	Total allowance for impairment	Total allowance for impairment to gross NPLs
As at 31 December 2022	211,581	214,702	101%
As at 31 December 2021	120,652	142,416	118%

During the year ended 31 December 2022, due to an increase in cash flow expectations, the Group has recovered previously written-off loans with overdue up to 1,080 days. Loans to customers that were recovered on balance sheet were KZT 26,810 million, which led to a respective increase in both gross NPL and the total allowance for impairment.

Provision expense on loans to customers:

	Year ended 31 December 2022	Year ended 31 December 2021
Provision expense on loans to customers:		
Loans to customers	(53,245)	(31,981)
Total provision expenses on loans to customers	**(53,245)**	**(31,981)**

The Group did not provide loans which individually exceeded 10% of the Group's equity.

(in millions of KZT, except for earnings per share which are in KZT)

The gross carrying amount and related loss allowance on loans to customers by stage were as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans to customers					
Gross carrying amount	3,058,891	40,934	264,927	4,754	3,369,506
Loss allowance	(67,604)	(11,785)	(135,313)	-	(214,702)
Carrying amount as at 31 December 2022	**2,991,287**	**29,149**	**129,614**	**4,754**	**3,154,804**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans to customers					
Gross carrying amount	2,407,678	29,831	135,635	-	2,573,144
Loss allowance	(64,043)	(10,582)	(67,791)	-	(142,416)
Carrying amount as at 31 December 2021	**2,343,635**	**19,249**	**67,844**	**-**	**2,430,728**

During the year ended 31 December 2022, the Group has restructured loans to customers, which were classified as NPL in the amount of KZT 55,190 million (KZT 25,250 million were recovered from off-balance, with subsequent recognition of carrying amount of KZT 17,233 million), by providing an interest free extended repayment schedule. During the year ended 31 December 2022, KZT 5,951 million of restructured loans were repaid. As at 31 December 2022, remaining outstanding gross debt of restructured loans were KZT 49,239 million.

As at 31 December 2022, loans to customers of KZT 30,969 million that were restructured during the year ended 31 December 2022 were classified to Stage 3 for at least 1 year from restructuring date with respective reduction of gross carrying amount to KZT 22,534 million as a result of change in present value.

As at 31 December 2022, loans to customers of KZT 18,270 million that were restructured during the year ended 31 December 2022 were derecognised and recognised as POCI loans with gross carrying amount of KZT 4,754 million.

As at 31 December 2022 and 31 December 2021, commitments on loans and unused credit lines represented by revocable loan commitments were KZT 157,478 million and KZT 131,804 million, respectively.

(in millions of KZT, except for earnings per share which are in KZT)

14. Property, equipment and intangible assets

	Buildings and construction	Furniture and equipment	Intangible assets	Construction in progress	Total
At initial/revalued cost					
31 December 2020	**19,101**	**52,905**	**17,200**	**2,978**	**92,184**
Additions	951	15,067	3,376	1,528	20,922
Disposals	(281)	(3,945)	(694)	-	(4,920)
Transfers	4,504	-	-	(4,504)	-
31 December 2021	**24,275**	**64,027**	**19,882**	**2**	**108,186**
Additions	4,384	29,595	5,218	18	39,215
Disposals	(695)	(2,288)	(894)	-	(3,877)
Transfers	3	(3)	-	-	-
31 December 2022	**27,967**	**91,331**	**24,206**	**20**	**143,524**
Accumulated depreciation and impairment					
31 December 2020	**6,969**	**24,780**	**8,618**	**-**	**40,367**
Charge for the year	618	7,075	3,041	-	10,734
Disposals	(281)	(3,834)	(694)	-	(4,809)
31 December 2021	**7,306**	**28,021**	**10,965**	**-**	**46,292**
Charge for the year	1,229	10,005	3,329	-	14,563
Disposals	(692)	(1,672)	(877)	-	(3,241)
31 December 2022	**7,843**	**36,354**	**13,417**	**-**	**57,614**
Net book value					
31 December 2022	**20,124**	**54,977**	**10,789**	**20**	**85,910**
31 December 2021	**16,969**	**36,006**	**8,917**	**2**	**61,894**

As at 31 December 2022 and 2021, property and equipment included fully depreciated property and equipment of KZT 13,322 million and KZT 9,922 million, respectively.

The Group's revaluation policy requires the entire class of buildings and construction to be revalued every five years. In 2021, the Group had its buildings and properties revalued by independent appraisers, and the valuation amounts approximate their carrying value.

The fair value of buildings and construction was determined based on the market comparable approach that reflects recent transaction prices for similar properties and was carried out by independent appraisers not related to the Group. In measuring fair value of the Group's buildings and construction, the measurements were categorized into Level 3. During the years 2022 and 2021, there were no movements between Level 3 and other levels.

(in millions of KZT, except for earnings per share which are in KZT)

15. Other assets

	31 December 2022	31 December 2021
Other financial assets:		
Settlement with brokers	31,243	8,733
Prepayments for customers online transactions	5,166	5,014
Receivables from VISA and Master Card	3,498	9,594
Other	10,277	2,031
Total other financial assets	**50,184**	**25,372**
Less: allowance for impairment losses (Note 4)	(7,068)	(3,433)
Total net other financial assets	**43,116**	**21,939**
Other non-financial assets:		
Investment property	16,829	18,574
Other	10,695	14,673
Total other non-financial assets	**27,524**	**33,247**
Less: allowance for impairment losses (Note 4)	(649)	(386)
Total net other non-financial assets	**26,875**	**32,861**
Total other assets	**69,991**	**54,800**

Movements in allowances for impairment of other assets are disclosed in Note 4.

Investment property movement is presented as follows:

	2022	2021
Cost		
As at 1 January	19,556	24,643
Additions	-	1,440
Disposals	(1,602)	(6,527)
As at 31 December	**17,954**	**19,556**
Accumulated depreciation		
As at 1 January	(982)	(855)
Depreciation charge	(244)	(342)
Disposals	101	215
As at 31 December	**(1,125)**	**(982)**
Net book value	**16,829**	**18,574**

During the years ended 31 December 2022 and 2021, the Group foreclosed collateral it held as security for loans. As a result, the Group received investment property of KZT Nil and KZT 1,440 million, respectively.

As at 31 December 2022 and 2021, the fair value of investment property was KZT 20,869 million and KZT 22,718 million, respectively. In measuring fair value of the Group's investment property, the measurements were categorised into Level 3.

(in millions of KZT, except for earnings per share which are in KZT)

16. Due to banks

	31 December 2022	31 December 2021
Recorded at amortised cost:		
Repurchase agreements	16,119	75,524
Total due to banks	**16,119**	**75,524**

As at 31 December 2022 and 2021, accrued interest of KZT 58 million and KZT 62 million, respectively, was included in due to banks.

Fair value of collateral of repurchase agreements, which were classified as due to banks as at 31 December 2022 and 2021, amounted to KZT 15,014 million and KZT 75,295 million, respectively.

17. Customer accounts

	31 December 2022	31 December 2021
Individuals		
Term deposits	3,057,870	2,070,822
Current accounts	700,957	534,190
Total due to individuals	**3,758,827**	**2,605,012**
Corporate customers		
Term deposits	269,725	43,131
Current accounts	217,783	213,832
Total due to corporate customers	**487,508**	**256,963**
Total customer accounts	**4,246,335**	**2,861,975**

As at 31 December 2022 and 2021, accrued interest of KZT 30,101 million and KZT 15,423 million, respectively, was included in customer accounts.

As at 31 December 2022 and 2021, customer accounts of KZT 42,733 million and KZT 26,679 million, respectively, were held as security against loans.

As at 31 December 2022 and 2021, customer accounts of KZT 341,595 million (8.04%) and KZT 121,609 million (4.25%), respectively, were due to the top twenty customers.

As at 31 December 2022 and 2021, the Group had one and one customer accounts, which individually exceeded 10% of the Group's equity.

As at 31 December 2022 and 2021, the individual accounts of KZT 49,204 million (1.16%) and KZT 71,731 million (2.51%), were due to the top twenty individuals.

(in millions of KZT, except for earnings per share which are in KZT)

18. Debt securities issued

	Currency	Maturity date month/year	Nominal interest rate, %	31 December 2022	31 December 2021
Third bond program – first issue	KZT	January 2025	9.90	51,045	51,045
Third bond program – second issue	KZT	January 2024	9.80	48,418	48,414
Third bond program – third issue	KZT	January 2023	9.70	40,915	40,252
Total debt securities issued				**140,378**	**139,711**

As at 31 December 2022 and 2021, accrued interest of KZT 5,620 million and KZT 5,620 million, respectively, was included in debt securities issued. All debt securities issued are recorded at amortised cost as at 31 December 2022 and 2021. The Group did not have any defaults or other breaches with respect to its debt securities issued as at 31 December 2022 and 2021.

On 27 January 2023 the Bank fully repaid its outstanding debt under the third issue of third bond program.

19. Other liabilities

	31 December 2022	31 December 2021
Other financial liabilities:		
Payables for customers' online transactions	23,542	12,080
Other	4,503	4,457
Total financial liabilities	**28,045**	**16,537**
Other non-financial liabilities:		
Prepayments	10,895	10,650
Accumulated employee benefits, vacation reserves	4,363	3,898
Current income tax payable	3,369	1,617
Other	2,720	1,620
Total non-financial liabilities	**21,347**	**17,785**
Total other liabilities	**49,392**	**34,322**

(in millions of KZT, except for earnings per share which are in KZT)

20. Subordinated debt

	Currency	Maturity	Nominal interest rate, %	31 December 2022	31 December 2021
Second bond program – third issue	KZT	February 2023	2% plus inflation rate	5,249	5,317
Third bond program – fourth issue	KZT	June 2025	10.7%	62,269	62,266
Debt component of preference shares	KZT	n/a	n/a	160	152
Total subordinated debt				**67,678**	**67,735**

As at 31 December 2022 and 2021, accrued interest of KZT 3,508 million and KZT 3,457 million, respectively, was included in subordinated debt.

All subordinated debt are recorded at amortised cost as at 31 December 2022 and 2021. The above liabilities are subordinated to the claims of depositors and other creditors of the issuer in the event of liquidation. The Group did not have any defaults or other breaches with respect to its subordinated debt as at 31 December 2022 and 2021.

In February 2023 the Bank fully repaid its outstanding debt under the third issue of second bond program.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2022	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2022
Debt securities issued	139,711	-	-	667	140,378
Subordinated debt	67,735	-	-	(57)	67,678

			Non-cash changes		
	1 January 2021	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2021
Debt securities issued	139,111	-	-	600	139,711
Subordinated debt	78,080	(10,371)	-	26	67,735

(in millions of KZT, except for earnings per share which are in KZT)

21. Share capital

As at 31 December 2022 and 2021, the share capital of the Bank authorised for issue consisted of 39,000,000 ordinary shares and 500,000 preference shares.

The table below provides a reconciliation of the change in the number of authorised shares issued and fully paid, treasury shares and shares outstanding:

	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares			
1 January 2021	**19,500,000**	**(1,154,460)**	**18,345,540**
Purchase of treasury shares	-	-	-
31 December 2021	**19,500,000**	**(1,154,460)**	**18,345,540**
Purchase of treasury shares	-	-	-
31 December 2022	**19,500,000**	**(1,154,460)**	**18,345,540**
Preference shares			
1 January 2021	500,000	(127,516)	372,484
Purchase of treasury shares	-	-	-
31 December 2021	**500,000**	**(127,516)**	**372,484**
Purchase of treasury shares	-	-	-
31 December 2022	**500,000**	**(127,516)**	**372,484**

The table below provides a reconciliation of the change in outstanding share capital fully paid:

	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares			
1 January 2021	17,791	(9,138)	8,653
Movement	-	-	-
31 December 2021	**17,791**	**(9,138)**	**8,653**
Movement	-	(410)	(410)
31 December 2022	**17,791**	**(9,548)**	**8,243**
Preference shares			
1 January 2021	409	(553)	(144)
Movement	-	-	-
31 December 2021	**409**	**(553)**	**(144)**
Movement	-	-	-
31 December 2022	**409**	**(553)**	**(144)**

(in millions of KZT, except for earnings per share which are in KZT)

Share premium represents an excess of contributions received over the nominal value of shares issued and amounts received as a result of the resale of shares over their purchase price.

In 2022 and 2021, the Group declared dividends of KZT 10,850 and KZT 9,380 per share on ordinary shares, respectively.

In 2022 and 2021, the Group declared dividends of KZT 10,871 and KZT 9,401 per share on preference shares, respectively.

According to the legislation of the Republic of Kazakhstan on Joint Stock Companies, additional dividend payments on the preference shares cannot be less than the dividends paid on ordinary shares.

The liability portion of preference shares of the Bank which carry a contractual obligation to transfer economic benefits are classified as financial liabilities and are presented in subordinated debt. The coupon on these preference shares is recognised in the consolidated statement of profit or loss. Preference shares of the Bank are non-convertible.

22. Commitments and contingencies

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. Guarantees issued included below represent financial guarantees, where payment is not probable as at the respective reporting date, and therefore have not been recorded in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit policy in undertaking contingent commitments as it does for on-balance operations.

As at 31 December 2022 and 2021, provision for losses on contingent liabilities were KZT 44 million and KZT 22 million, respectively.

The Group's contingent liabilities and credit commitments comprised the following:

	31 December 2022	31 December 2021
Contingent liabilities and credit commitments	**Nominal amount**	**Nominal amount**
Commitments on loans and unused credit lines: Revocable loans	157,478	131,804
Guarantees issued and similar commitments	5,191	4,927
Total contingent liabilities and credit commitments	**162,669**	**136,731**

Commitments on loans and unused credit lines represent the Group's revocable and irrevocable commitments to extend loans within unused credit line limits. Those commitments where the borrower has to apply each time it wants to draw the credit facility from unused credit lines and the Group may approve or deny the extension of the credit facility based on the borrower's financial performance, debt service and other credit risk characteristics are considered revocable. Those commitments where the Group is contractually obliged with no conditions to extend the loan are considered to be irrevocable.

Legal proceedings

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

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2022 and 2021, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Taxes

Due to the presence in Kazakhstani commercial legislation and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

(in millions of KZT, except for earnings per share which are in KZT)

23. Transactions with related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions with related parties:

	31 December 2022		31 December 2021	
	Transactions with related parties	**Total category as per financial statements captions**	**Transactions with related parties**	**Total category as per financial statements captions**
Consolidated statement of financial position				
Loans to customers before allowance for impairment losses	3,057	3,369,506	3,568	2,573,144
- other related parties	*3,057*		*3,568*	
Allowance for impairment losses on loans to customers	(7)	(214,702)	(16)	(142,416)
- other related parties	*(7)*		*(16)*	
Other assets	503	69,991	31	54,800
- other related parties	*503*		*31*	
Customer accounts	262,236	4,246,335	116,009	2,861,975
- the ultimate parent	*223,646*		*88,253*	
- subsidiariy of the ultimate parent	*22,148*		*10,679*	
- entities controlled by the key management personnel of the Group	*5,462*		*6,415*	
- key management personnel of the Group	*478*		*2,421*	
- other related parties	*10,502*		*8,241*	
Other liabilities	1,529	49,392	1,490	34,322
- other related parties	*1,529*		*1,490*	
Commitments and contingencies				
Commitments on loans and unused credit lines	3	157,478	3	131,804
- other related parties	*3*		*3*	
Guarantees issued and similar commitments	4,627	5,191	3,023	4,927
- subsidiary of the ultimate parent	*4,627*		*3,023*	
Allowance for impairment losses on guarantees issued and similar commitments	(20)	(44)	(3)	(22)
- subsidiary of the ultimate parent	*(20)*		*(3)*	

(in millions of KZT, except for earnings per share which are in KZT)

Compensation to directors and other members of key management is presented as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions
Compensation to key management personnel:				
Short-term benefits	(234)	(45,913)	(348)	(37,106)

During the years ended 31 December 2022 and 2021, interest income from other related parties were KZT 314 million and KZT 362 million, respectively.

During the years ended 31 December 2022 and 2021, interest expense from transactions with the ultimate parent were KZT 16,706 million and KZT 4,211 million, respectively, interest expense from transactions with subsidiary of the ultimate parent were KZT 513 million and KZT 236 million, respectively, interest expense from transactions with entities controlled by the key management personnel of the Group were KZT 176 million and KZT 6 million, respectively, interest expense from transactions with key management personnel were KZT 19 million and KZT 22 million, respectively and other related parties were KZT 208 million and KZT 138 million, respectively.

During the years ended 31 December 2022 and 2021, transaction costs attributable to loans to customers and paid to entities controlled by the key management personnel of the Group were KZT 4,862 million and KZT 10,981 million, respectively.

24. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management of the Group (who are identified as Chief Operating Decision Makers, ("CODM").

The Group's assets are concentrated in the Republic of Kazakhstan and its revenues are derived from operations in the Republic of Kazakhstan. The management of the Group receives and reviews the information on the Group as a whole.

(in millions of KZT, except for earnings per share which are in KZT)

25. Fair value of financial instruments

a. Fair value of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

b. Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	31 December 2022	31 December 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
Non-derivative financial assets at FVTOCI (Note 11)	838,260	230,847	Level 1	Quoted prices in an active market.
Non-derivative financial assets at FVTOCI (Note 11)	237,948	375,581	Level 2	Quoted prices in markets that are not active.
Unlisted Equity investments classified as financial assets at FVTOCI (Note 11)	34	34	Level 3	Adjusted net assets based on most recent published financial statements of unlisted companies with discount for marketability and liquidity. Discount ratios varies from 10% to 30%.
Derivative financial assets (Note 12)	30	955	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities (Note 12)	147	2,408	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

As at 31 December 2022, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 99,350 million and KZT 47,304 million, respectively. As at 31 December 2021, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 81,672 million and KZT 160,527 million, respectively. Those investment securities are by nature and for regulatory purposes treated as high quality liquid assets, but are classified as Level 2 due to insufficient trading on regulated market.

There were no transfers between Level 1 and Level 2 during the years ended 31 December 2022 and 2021.

(in millions of KZT, except for earnings per share which are in KZT)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, management of the Group considers that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2022		
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	24,845	24,452	Level 2
Loans to customers	3,154,804	3,192,112	Level 3
Due to banks	16,119	15,014	Level 2
Customer accounts	4,246,335	4,142,454	Level 2
Debt securities issued	140,378	133,825	Level 2
Subordinated debt	67,678	63,570	Level 2

	31 December 2021		
	Carrying amount	Fair value	Fair value hierarchy
Due from banks	50,903	50,783	Level 2
Loans to customers	2,430,728	2,465,691	Level 3
Due to banks	75,524	75,295	Level 2
Customer accounts	2,861,975	2,849,764	Level 2
Debt securities issued	139,711	137,649	Level 2
Subordinated debt	67,735	67,272	Level 2

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

Due from banks

The estimated fair value of due from banks is determined by discounting the contractual cash flows using interest rates currently offered for due from banks with similar terms.

Loans to customers

Loans to individual customers are made at fixed rates. The fair value of fixed rate loans has been estimated by reference to the market rates available at the reporting date for loans with similar maturity profile.

Due to banks

The estimated fair value of due to banks is determined by discounting the contractual cash flows using interest rates currently offered for due to banks with similar terms.

(in millions of KZT, except for earnings per share which are in KZT)

Customer accounts

The estimated fair value of term deposits is determined by discounting contractual cash flows using interest rates currently offered for deposits with similar terms. For current accounts, the Group considers fair value to equal carrying value, which is equivalent to the amount payable on the balance sheet date.

Debt securities issued, subordinated debt

Debt securities issued and subordinated debt are valued using quoted prices.

26. Regulatory matters

The management of the Bank monitors capital adequacy ratio based on requirements of standardised approach of Basel Committee of Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems" (December 2010, updated in June 2011).

The capital adequacy ratios calculated on the basis of the Bank's consolidated financial statements under Basel III with updated RWA methodology are presented in the following table:

	31 December 2022	**31 December 2021**
Capital adequacy ratios:		
Tier 1 capital	17.0%	15.9%
Total capital	18.0%	18.0%

The Bank complies with NBRK's capital requirements. The following table presents Bank's capital adequacy ratios in accordance with the NBRK requirements:

	31 December 2022	**31 December 2021**
Capital adequacy ratios:		
Tier 1 capital (k1.2)	12.2%	11.5%
Total capital (k.2)	13.1%	12.9%

27. Risk management policy

The Group permanently advances it's risk management environment, to fit up-to-date challenges and risks the Group is exposed to. The Group is exposed to the following types of risks: credit risk, liquidity risk and market risk.

Credit risk

The Group is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. The Group's credit risk exposure arises primarily from our consumer finance business. To manage credit risk during loan origination the Group centralized all processes related to decision making, verification and accounting through it's headquarters. The Group has developed an automated, centralised and big data-driven proprietary loan approval process that enables it to make instant credit decisions. The risk management block is responsible for maintaining scoring models and decision-making process. The quality of approved loans are monitored by risk management block on day-to-day basis with periodical validation of the models.

During the credit decision process, the Group uses proprietary risk algorithms and predictive scoring models for the evaluation of the risks of potential borrowers using statistical modelling based on (i) a wealth of proprietary internal data such as application, transactional, behavioural, shopping and payment history information, which is supplemented by (ii) external data such as data received from credit bureaus (First Credit Bureau LLP and State Credit Bureau JSC) and pension centre (the State Pension Payment Centre) with regard to each customer.

The additional proprietary data constantly accumulated around the Group's customers' activity that enables it to continuously deepen its credit decision process.

The risk management block, in terms of credit risk, consists of independent modelling, anti-fraud, monitoring and provisioning division.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks. For financial assets recorded on statement of financial position, the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2022 and 2021,the maximum exposure to credit risk after offset and collateral was equal to its carrying value of all financial assets except for loans to customers.

As at 31 December 2022 and 2021, the maximum exposure to credit risk after offset and collateral of loans to customers were KZT 2,750,424 million and KZT 1,875,603 million, respectively.

(in millions of KZT, except for earnings per share which are in KZT)

Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral obtained are as follows:

- For reverse repurchase transactions – securities;
- For commercial lending – charges over real estate properties and vehicles.

Although, the Group uses collateral as credit enhancement to mitigate its exposure to credit risk, major part of its loan portfolio is represented by unsecured loans. Thus, as at 31 December 2022 and 2021, unsecured gross carrying amount of loans to customers were KZT 2,942,812 million and KZT 1,989,342 million, respectively.

As at 31 December 2022 and 2021, credit impaired loans with a net carrying value of KZT 29,174 million and KZT 16,084 million, respectively were either fully or partially collateralized, reflecting the extent to which collateral and other credit enhancements mitigate credit risk.

Credit quality of financial assets

The tables below present information about the significant changes in the gross carrying amount of loans during the period that contributed to changes in the loss allowance during the year ended 31 December 2022 and 2021:

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
Loans at amortised cost					
Gross carrying amount as at 1 January 2022	**2,407,678**	**29,831**	**135,635**	**-**	**2,573,144**
Changes in the gross carrying amount					
- Transfer to Stage 1	8,927	(3,094)	(5,833)	-	-
- Transfer to Stage 2	(46,924)	47,497	(573)	-	-
- Transfer to Stage 3	(157,484)	(19,421)	176,905	-	-
New financial assets originated or purchased	2,422,809	-	-	4,754	2,427,563
Financial assets that have been repaid or derecognised	(1,576,115)	(13,879)	(29,049)	-	(1,619,043)
Write-offs	-	-	(64,231)	-	(64,231)
Recovery from off balance	-	-	52,060	-	52,060
Other changes	-	-	13	-	13
Gross carrying amount as at 31 December 2022	**3,058,891**	**40,934**	**264,927**	**4,754**	**3,369,506**

(in millions of KZT, except for earnings per share which are in KZT)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans at amortised cost					
Gross carrying amount as at 1 January 2021	**1,351,855**	**20,500**	**154,088**	**-**	**1,526,443**
Changes in the gross carrying amount					
- Transfer to Stage 1	13,221	(3,124)	(10,097)	-	-
- Transfer to Stage 2	(30,543)	31,690	(1,147)	-	-
- Transfer to Stage 3	(58,892)	(12,232)	71,124	-	-
New financial assets originated or purchased	2,113,363	-	-	-	2,113,363
Financial assets that have been repaid	(981,326)	(7,003)	(32,014)	-	(1,020,343)
Write-offs	-	-	(46,324)	-	(46,324)
Other changes	-	-	5	-	5
Gross carrying amount as at 31 December 2021	**2,407,678**	**29,831**	**135,635**	**-**	**2,573,144**

The Group uses an internal rating model to classify individually significant loans to customers in different risk categories:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans to customers that individually assessed for impairment					
Grades: Low to fair risk	8,119	-	-	-	8,119
Grade: Impaired	-	-	6,636	-	6,636
Loans to customers that collectively assessed for impairment	3,050,772	40,934	258,291	4,754	3,354,751
Total gross carrying amount	**3,058,891**	**40,934**	**264,927**	**4,754**	**3,369,506**
Loss allowance	(67,604)	(11,785)	(135,313)	-	(214,702)
Carrying amount as at 31 December 2022	**2,991,287**	**29,149**	**129,614**	**4,754**	**3,154,804**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers that individually assessed for impairment				
Grades: Low to fair risk	22,526	-	-	22,526
Grade: Impaired	-	-	6,391	6,391
Loans to customers that collectively assessed for impairment	2,385,152	29,831	129,244	2,544,227
Total gross carrying amount	**2,407,678**	**29,831**	**135,635**	**2,573,144**
Loss allowance	(64,043)	(10,582)	(67,791)	(142,416)
Carrying amount as at 31 December 2021	**2,343,635**	**19,249**	**67,844**	**2,430,728**

(in millions of KZT, except for earnings per share which are in KZT)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	17,052	-	-	17,052
Investment grade (BBB+ - BBB-)	7,799	-	-	7,799
Total gross carrying amount	**24,851**	**-**	**-**	**24,851**
Loss allowance	(6)	-	-	(6)
Carrying amount as at 31 December 2022	**24,845**	**-**	**-**	**24,845**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	20,504	-	-	20,504
Investment grade (BBB+ - BBB-)	29,710	-	-	29,710
Non-Investment grade (BB+ - B-)	708	-	-	708
Total gross carrying amount	**50,922**	**-**	**-**	**50,922**
Loss allowance	(19)	-	-	(19)
Carrying amount as at 31 December 2021	**50,903**	**-**	**-**	**50,903**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	558	-	-	558
Investment grade (BBB+ - BBB-)	1,070,752	-	-	1,070,752
Non-Investment grade (BB+ - B-)	2,393	-	-	2,393
Not rated	-	2,252	-	2,252
Carrying amount as at 31 December 2022	**1,073,703**	**2,252**	**-**	**1,075,955**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	840	-	-	840
Investment grade (BBB+ - BBB-)	595,969	-	-	595,969
Non-Investment grade (BB+ - B-)	7,460	-	-	7,460
Low grade (CCC+ and lower)	-	-	1,838	1,838
Carrying amount as at 31 December 2021	**604,269**	**-**	**1,838**	**606,107**

(in millions of KZT, except for earnings per share which are in KZT)

Financial assets, other than loans to customers and other financial assets, are graded according to their external credit ratings issued by an international rating agencies, such as Standard and Poor's, Fitch and Moody's Investors Services. The highest possible rating is AAA.

	A- and higher	BBB+ to BBB-	BB+ to B-	CCC+ and lower	Not rated	Total
Gross carrying value:						
31 December 2022						
Cash and cash equivalents, net of cash on hand	194,711	234,998	-	-	1,881	431,590
Mandatory cash balances with NBRK	-	42,917	-	-	-	42,917
Due from banks	17,052	7,799	-	-	-	24,851
Investment securities and derivatives	558	1,071,110	2,401	-	2,942	1,077,011
31 December 2021						
Cash and cash equivalents, net of cash on hand	102,514	86,884	41	-	223	189,662
Mandatory cash balances with NBRK	-	32,734	-	-	-	32,734
Due from banks	20,504	29,710	708	-	-	50,922
Investment securities and derivatives	1,217	596,643	7,848	4,501	-	610,209

As at 31 December 2022 and 31 December 2021, all loan commitments and financial guarantee contracts of the Group are classified in Stage 1 (12-month ECL) and have "low to fair" risk grade.

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. Modification doesn't lead to a material change in the net present value ("NPV"), therefore the Group doesn't recognise a modification gain/loss. The following tables refer to modified financial assets where modification does not result in derecognition. Financial assets (with loss allowance based on lifetime ECL) modified during the years ended 31 December 2022 and 2021:

	2022	2021
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 1 January	**12,021**	**17,923**
Gross carrying amount of modified loans within period	54,035	20,222
Loans transferred to Non impaired category (Cured loans)	(21,043)	(16,425)
Loans transferred to NPL	(12,789)	(6,875)
Repaid loans	(4,325)	(2,824)
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 31 December	**27,899**	**12,021**

The net carrying amount of loans at time of modification, that are modified during the years ended 31 December 2022 and 2021 were KZT 37,221 million and KZT 13,079 million, respectively. The gross carrying amount of modified loans for which the loss allowance changed from lifetime to 12-month ECL in the years ended 31 December 2022 and 2021 were KZT 12,656 million and KZT 9,020 million, respectively.

Macro sensitivity

The Group has performed ECL sensitivity analysis on its main portfolios, in the event that key assumptions used to calculate ECL change by 1 percentage point. For the purpose of ECL estimation, the Group uses a change of the nominal USD/KZT exchange rate of:

- 3.90% and 1.40% for 2023 and 2024, respectively, as a baseline scenario,
- 1.35% and 0.50% for 2023 and 2024, respectively, as an upside scenario and
- 6.45% and 3.95% for 2023 and 2024, respectively, as a downside scenario.

A change in the baseline nominal USD/KZT exchange rate by +/- 1 percentage point, with respective correction of the upside and downside scenarios, leads to a change in the loss allowance by KZT -2,220/+1,920 million as at 31 December 2022, respectively.

Liquidity risk

The liquidity management framework of the Group mainly consists of following instruments:

- Assessment of sufficient level of high quality liquid assets;
- Cash flow forecasting;
- Diversification of funding;
- Social media marketing;
- Up-to-date contingent funding plan;

The liquidity risk is managed considering specific aspects of Kazakhstan economy, in particular limited funding instruments and possible dollarization due to currency devaluation expectations.

The Group devotes great significance to social media marketing, to support the brand of the Group and mitigate various risks such as liquidity and reputational risks. The division of social media marketing covers mass media, social networks, blogs and other sources of information, available to current or potential customers.

A major part of the Group's obligations consists of customer accounts of individuals, with nominal maturity under 2 years. However 95% of deposits in 2021 were rolled over, which ensures the Group maintains a reliable and long-term funding base. The average amount of individuals' customer accounts balance is KZT 940 thousand as at 31 December 2022, which is another indicator of diversification and stability of the funding base.

The Group retains a significant amount of high quality liquid assets, which consists mainly of cash, deposits within NBRK, short-term and mid-term notes of NBRK and bonds of the Ministry of Finance of the Republic of Kazakhstan.

(in millions of KZT, except for earnings per share which are in KZT)

Market risk

Price Risk

The Group's market risk arises from fluctuations in the value of financial instruments because of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. The Group has established various limits on operations with securities, including instrument specific limits, in order to balance profit and risk in the securities portfolio. The Group's portfolio is predominantly comprised of Kazakhstan government debt securities.

Interest rate risk

The contractual maturities of assets and liabilities of the Group has modest gaps, which provides possibilities of instant reactions on changes of market interest rates. The Group has significant amounts of high quality liquid assets with a short maturity which helps to minimize the sensitivity to a sharp increase of interest rates in case of a liquidity shortfall on the market.

An analysis of the liquidity and interest rate risks is presented in the following table.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
Total interest bearing financial assets	1,119,187	563,500	1,479,479	1,279,237	146,239	4,587,642
Total interest bearing financial liabilities	361,536	665,506	2,038,776	486,289	6,147	3,558,254
Interest sensitivity gap	757,651	(102,006)	(559,297)	792,948	140,092	
Cumulative interest sensitivity gap	757,651	655,645	96,348	889,296	1,029,388	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
Total financial assets	2,022,425	529,133	1,327,029	955,355	132,651	4,966,593
Total financial liabilities	1,309,092	665,794	2,038,776	486,289	6,147	4,506,098
Guarantees issued and similar commitments	170	349	45	4,627	-	5,191
Total financial liabilities and commitments	1,309,262	666,143	2,038,821	490,916	6,147	4,511,289
Liquidity gap	713,163	(137,010)	(711,792)	464,439	126,504	
Cumulative liquidity gap	713,163	576,153	(135,639)	328,800	455,304	

(in millions of KZT, except for earnings per share which are in KZT)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
Total interest bearing financial assets	429,046	466,439	1,342,621	818,753	106,545	3,163,404
Total interest bearing financial liabilities	255,838	454,882	1,387,054	298,138	5,526	2,401,438
Interest sensitivity gap	173,208	11,557	(44,433)	520,615	101,019	
Cumulative interest sensitivity gap	173,208	184,765	140,332	660,947	761,966	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
Total financial assets	1,305,842	428,337	1,155,879	498,693	94,398	3,483,149
Total financial liabilities	1,017,176	455,573	1,387,477	298,138	5,526	3,163,890
Guarantees issued and similar commitments	317	110	-	4,500	-	4,927
Total financial liabilities and commitments	1,017,493	455,683	1,387,477	302,638	5,526	3,168,817
Liquidity gap	288,349	(27,346)	(231,598)	196,055	88,872	
Cumulative liquidity gap	288,349	261,003	29,405	225,460	314,332	

For more relevant representation of the liquidity risk, in 2021 the Group has introduced in these consolidated financial statements an additional table, where investment securities are presented in the category up to one month, as they can be traded in open market if needed.

As at 31 December 2022 and 2021, guarantee deposits in favour of international payments systems included in due from banks were KZT 24,823 million and KZT 50,214 million, respectively.

Cumulative liquidity gap represents contractual cash flows. During 2022, 95% of deposits were rolled over after the maturity date, which generated a reliable long term funding base.

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

Interest rate sensitivity analysis

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

(in millions of KZT, except for earnings per share which are in KZT)

The sensitivity analysis includes interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

As at 31 December 2022, the impact on profit before income tax due to a +/-3 p.p. change in interest rate amounted -/+ KZT 150 million (2021: -/+ KZT 150 million).

As at 31 December 2022, the impact on equity due to a +/-3 p.p. change in interest rate amounted KZT -20,705 million /KZT+22,982 million (2021: KZT -24,236 million/ KZT +25,684 million).

Currency risk

The Group manages its currency risk by keeping modest open currency position. The Group only issues loans to customers in tenge, which protects the Group from hidden currency risk in case of a currency devaluation.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	Tenge	USD 1 USD = KZT 462.65	EUR 1 EUR = KZT 492.86	Other currencies	31 December 2022 Total
Non-derivative financial assets					
Cash and cash equivalents	155,693	427,559	23,827	2,926	610,005
Mandatory cash balances with NBRK	42,917	-	-	-	42,917
Due from banks	-	24,845	-	-	24,845
Financial assets measured at FVTOCI	1,044,452	30,040	1,750	-	1,076,242
Loans to customers	3,154,789	15	-	-	3,154,804
Other financial assets	13,347	29,588	176	5	43,116
Total non-derivative financial assets	**4,411,198**	**512,047**	**25,753**	**2,931**	**4,951,929**
Due to banks	16,119	-	-	-	16,119
Customer accounts	3,723,671	512,279	7,999	2,386	4,246,335
Debt securities issued	140,378	-	-	-	140,378
Other financial liabilities	28,038	-	-	7	28,045
Subordinated debt	67,678	-	-	-	67,678
Total non-derivative financial liabilities	**3,975,884**	**512,279**	**7,999**	**2,393**	**4,498,555**
OPEN BALANCE SHEET POSITION	**435,314**	**(232)**	**17,754**	**538**	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(33,894)	(55,518)	(17,250)	(4,581)	
Accounts receivable on spot and derivative contracts	50,898	55,419	-	4,604	
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**17,004**	**(99)**	**(17,250)**	**23**	
OPEN POSITION	**452,318**	**(331)**	**504**	**561**	

(in millions of KZT, except for earnings per share which are in KZT)

	Tenge	USD 1 USD = KZT 431.80	EUR 1 EUR = KZT 489.10	Other currencies	31 December 2021 Total
Non-derivative financial assets					
Cash and cash equivalents	117,254	214,312	4,673	3,189	339,428
Mandatory cash balances with NBRK	32,734	-	-	-	32,734
Due from banks	706	50,197	-	-	50,903
Financial assets measured at FVTOCI	556,076	48,440	1,946	-	606,462
Loans to customers	2,430,713	15	-	-	2,430,728
Other financial assets	2,700	19,110	129	-	21,939
Total non-derivative financial assets	**3,140,183**	**332,074**	**6,748**	**3,189**	**3,482,194**
Non-derivative financial liabilities					
Due to banks	75,524	-	-	-	75,524
Customer accounts	2,350,765	504,471	5,574	1,165	2,861,975
Debt securities issued	139,711	-	-	-	139,711
Other financial liabilities	15,767	663	-	107	16,537
Subordinated debt	67,735	-	-	-	67,735
Total non-derivative financial liabilities	**2,649,502**	**505,134**	**5,574**	**1,272**	**3,161,482**
OPEN BALANCE SHEET POSITION	**490,681**	**(173,060)**	**1,174**	**1,917**	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(184,863)	(5,035)	(3,913)	(4,287)	
Accounts receivable on spot and derivative contracts	857	182,328	2,446	2,587	
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(184,006)**	**177,293**	**(1,467)**	**(1,700)**	
OPEN POSITION	**306,675**	**4,233**	**(293)**	**217**	

Currency risk sensitivity analysis

The Group analysed sensitivity to an increase and decrease in the USD and EUR against the KZT 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at 31 December 2022 and 2021 for a 25% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

As at 31 December 2022, the impact on profit or loss and on equity due to +/-25% change in USD rate were KZT +/-83 million (2021: KZT +/-1,058 million).

As at 31 December 2022, the impact on profit or loss and on equity due to +/-25% change in EUR rate were KZT +/-126 million (2021: KZT +/-73 million).

28. Subsequent events

The management is not aware of any material events subsequent to the reporting date.