

**JOINT STOCK COMPANY
SUBSIDIARY ORGANIZATION
OF HALYK BANK OF KAZAKHSTAN
HALYK FINANCE**

Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2022

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

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

In preparing the financial statements, management is responsible for:

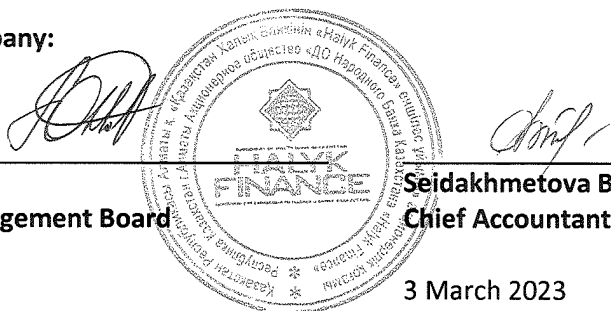
- Management is also responsible for:

- These financial statements of the Company for the year ended 31 December 2022 were authorized for issue by the Management Board of the Company on 3 March 2023 and are subject for subsequent approval by the Board of Directors and the Sole Shareholder in accordance with the requirements of the legislation of the Republic of Kazakhstan.

On behalf of the Company:

3 March 2023
Almaty, Kazakhstan

3 March 2023
Almaty, Kazakhstan



INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Zaina Yegemberdiyeva
Auditor
Qualification certificate
No. MF-0000717
dated 10 January 2019



Zhangir Zhilysbayev
General Director
Deloitte LLP
State Audit License of the
Republic of Kazakhstan
No.0000015,
type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

3 March 2023
Almaty, Kazakhstan

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Statement of Profit or Loss for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	5, 21	5,034,087	3,448,462
Interest expense	5, 21	(3,448,687)	(1,509,573)
NET INTEREST INCOME		1,585,400	1,938,889
Net (loss)/gain on financial assets at fair value through profit or loss	6, 21	(4,978,471)	1,651,411
Net gain on foreign exchange operations	7	2,322,286	283,007
Commission income	8, 21	2,805,296	2,472,186
Commission expense	8	(123,784)	(170,207)
Net realised gain on financial assets at fair value through other comprehensive income		-	10,193
(Credit loss expense)/recovery of credit loss expense	15,16	(2,297,789)	92,660
Dividend income	9, 21	335,619	462,992
Other income, net		53,597	14,193
NET NON-INTEREST (LOSS)/INCOME		(1,883,246)	4,816,435
OPERATING EXPENSES	10	(1,710,549)	(1,845,509)
(LOSS)/PROFIT BEFORE INCOME TAX		(2,008,395)	4,909,815
Income tax expense	11	(243,650)	(126,147)
NET (LOSS)/PROFIT		(2,252,045)	4,783,668
(Loss)/earnings per share (Kazakhstani tenge)	12	(372)	790

On behalf of the Company:

Okhonov F.R.
Chairman of the Management Board

3 March 2023
Almaty, Kazakhstan

Seidakhmetova B.Y.
Chief Accountant

3 March 2023
Almaty, Kazakhstan

The notes on pages 11-53 form an integral part of these financial statements.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Statement of Other Comprehensive Income for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)


	Year ended 31 December 2022	Year ended 31 December 2021
NET (LOSS)/PROFIT	(2,252,045)	4,783,668
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net (loss)/gain on revaluation of debt financial assets at fair value through other comprehensive income (2022, 2021 – net of tax – KZT nil)	(288,358)	17,820
Reclassification adjustment relating financial assets at fair value through other comprehensive income disposed of in the period (2022, 2021 – net of tax – KZT nil)	-	(10,193)
OTHER COMPREHENSIVE (LOSS)/income	(288,358)	7,627
TOTAL COMPREHENSIVE (LOSS)/INCOME	(2,540,403)	4,791,295

On behalf of the Company:


Okhonov F.R.
Chairman of the Management Board

3 March 2023
Almaty, Kazakhstan




Seidakhmetova B.Y.
Chief Accountant

3 March 2023
Almaty, Kazakhstan

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JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Statement of Financial Position as at 31 December 2022 (in thousands of Kazakhstani Tenge)

	Notes	31 December 2022	31 December 2021
ASSETS:			
Cash and cash equivalents	13, 21	1,318,743	1,949,294
Financial assets at fair value through profit or loss	14, 21	47,060,338	49,678,601
Financial assets at fair value through other comprehensive income	15	4,347,139	4,550,899
Investment property		36,847	36,649
Property and equipment		209,083	215,760
Intangible assets		325,079	305,382
Accounts receivable	16, 21	1,935,633	1,698,099
Current income tax assets		-	252,618
Deferred income tax assets	11	40,934	48,902
Other assets		85,465	84,251
TOTAL ASSETS		55,359,261	58,820,455
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans received from related party	17, 21	16,064,837	17,017,590
Securities repurchase agreement obligations	18	14,472,756	14,198,991
Current income tax liabilities		4,840	-
Other liabilities	21	271,278	517,921
Total liabilities		30,813,711	31,734,502
EQUITY:			
Share capital – ordinary shares	19	11,240,188	11,240,188
Financial assets at fair value through other comprehensive income revaluation (deficit)/reserve		(141,585)	146,773
Retained earnings		13,446,948	15,698,992
Total equity		24,545,550	27,085,953
TOTAL LIABILITIES AND EQUITY		55,359,261	58,820,455

On behalf of the Company:

Okhonov F.R.
Chairman of the Management Board

3 March 2023
Almaty, Kazakhstan

Seidakhmetova B.Y.
Chief Accountant

3 March 2023
Almaty, Kazakhstan

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JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Statement of Changes in Equity for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Share capital ordinary shares	Financial assets at fair value through other comprehensive income revaluation reserve/(deficit)	Retained earnings	Total equity
31 December 2020	11,240,188	139,146	14,253,739	25,633,073
Net profit	-	-	4,783,668	4,783,668
Other comprehensive income	-	7,627	-	7,627
Dividends declared and paid	-	-	(3,338,415)	(3,338,415)
31 December 2021	11,240,188	146,773	15,698,992	27,085,953
Net loss	-	-	(2,252,045)	(2,252,045)
Other comprehensive loss	-	(288,358)	-	(288,358)
31 December 2022	11,240,188	(141,585)	13,446,947	24,545,550

On behalf of the Company:

Okhonov F.R.
Chairman of the Management Board

3 March 2023
Almaty, Kazakhstan

Seidakhmetova B.Y.
Chief Accountant

3 March 2023
Almaty, Kazakhstan

The notes on pages 11-53 form an integral part of these financial statements.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Statement of Cash Flows for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		4,269,142	2,747,009
Interest received on financial assets at fair value through other comprehensive income		454,088	319,068
Interest received from securities repurchase agreement obligations		90,850	32,934
Dividend income received		335,619	462,992
Fee and commission income received		3,453,621	2,309,851
Net realised (loss)/gain on financial assets at fair value through profit or loss	6	(2,372,185)	1,622,421
Net realised gain on financial assets at fair value through other comprehensive income		-	10,193
Interest paid on loans received from related parties		(1,707,866)	(299,226)
Interest paid on securities repurchase agreement obligations		(1,859,543)	(1,008,614)
Fee and commission paid	8	(123,784)	(170,207)
Operating expenses paid		(1,607,040)	(1,781,005)
Other (expenses) paid/income received		(48,721)	(102,340)
Cash inflow from operating activities before changes in operating assets and liabilities		884,181	4,143,076
Changes in operating assets and liabilities:			
Decrease/(increase) in operating assets:			
Financial assets at fair value through profit or loss		4,029,683	(14,317,610)
Financial assets at fair value through other comprehensive income		(294,799)	(1,452,908)
Accounts receivable		(3,620,234)	2,346,501
Other assets		(2,427)	53,584
Decrease/(increase) in operating liabilities:			
Securities repurchase agreement obligations		277,657	3,284,500
Other liabilities		(222,914)	(388,899)
Cash inflow/(outflow) from operating activities before income tax		1,029,371	(6,331,756)
Income tax paid		-	(293,942)
Net cash inflow/(outflow) from operating activities		1,051,147	(6,625,698)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment and intangible assets		(129,728)	(306,708)
Disposal of property and equipment and intangible assets		13,199	10,213
Net cash outflow from investing activities		(116,529)	(296,495)

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

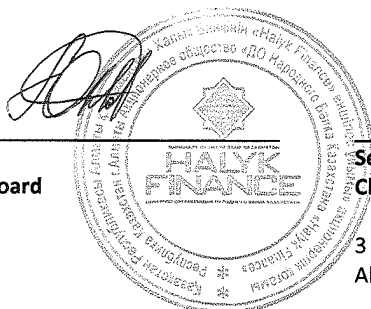
Statement of Cash Flows (continued) for the year ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	19	-	(3,338,415)
Proceeds from loan from related party	17	30,451,264	30,783,680
Repayment of loan from related party	17	(32,016,486)	(21,782,826)
Net cash (outflow)/inflow from financing activities		(1,565,222)	5,662,439
NET DECREASE IN CASH AND CASH EQUIVALENTS		(630,604)	(1,259,754)
Effect of changes in foreign exchange rate on cash and cash equivalents		53	520
NET CHANGE IN CASH AND CASH EQUIVALENTS		(630,551)	(1,259,234)
CASH AND CASH EQUIVALENTS, beginning of the year	13	1,949,294	3,208,528
CASH AND CASH EQUIVALENTS, end of the year	13	1,318,743	1,949,294

On behalf of the Company:

Okhonov F.R.
Chairman of the Management Board

3 March 2023
Almaty, Kazakhstan



Seidakhmetova B.Y.
Chief Accountant

3 March 2023
Almaty, Kazakhstan

The notes on pages 11-53 form an integral part of these financial statements.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

1. Organization

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance (the "Company") is a legal entity registered in the Republic of Kazakhstan on 10 November 2004. The Company was established according to the decision of the Board of Directors of Joint Stock Company Halyk Bank of Kazakhstan, the sole founder of the Company (the "Parent"). The Company is regulated by the Agency for regulation and development of the financial market of the Republic of Kazakhstan (the "ARDFM"). Primary licenses were received for brokerage and dealing activities on capital markets with the right of book keeping as the nominee holder on 27 December 2004 and for investment portfolio management on 26 March 2005.

The above licenses have been replaced as a result of re-registration of the Company (change of the Company's name by adding "Subsidiary Organization of Halyk Bank"). As a result of re-registration a single license No. 4.2.92/28 for brokerage and dealing activities on capital markets with the right of book keeping as the nominee holder and investment portfolio managements was issued by Agency for regulation and development of the financial market of the Republic of Kazakhstan on 26 December 2008.

Later, the Company, guided by the requirements of paragraph 5 of Article 2 of the Law of the Republic of Kazakhstan "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Pension Benefits" dated 21 June 2013 No. 106-V, reissued the license in order to clarify the investment portfolio management activities with the subtype "without the right to attract voluntary pension contributions". In particular, the National Bank of the Republic of Kazakhstan issued license No. 4.2.92/28 dated 24 June 2014.

In November 2016, due to a change in the Company's legal address, to execute the requirements of point 10 of the Rules for issuing, suspending and revoking licenses to perform professional activities on the securities market, approved by Resolution of the Board of the National Bank No. 25 dated 26 February 2014, the license to perform professional activities on the securities market was re-registered by the National Bank and issued to Halyk Finance dated 4 November 2017 as № 3.2.229/7.

With the approval of the Management Board of Halyk Bank of Kazakhstan (Meeting No.17 dated April 9, 2018), in order to become participant of Astana International Financial Centre ("AIFC") and in compliance with the decree of the President of the Republic of Kazakhstan No.633 of February 9, 2018 "On Measures of conveying the President's message to the general public of Kazakhstan dated January 10, 2018 regarding "New Development Opportunities in the Forth Industrial Revolution", it was decided to establish Halyk Finance Astana as the Company's branch office located in the Block "B" on the 8 Kunaev str. in Astana. On June 29, 2018, in compliance with AIFC legal and regulatory framework, the firm was registered as a recognized company.

On 7 November 2018, by the order of Bubeyev M. - acting CEO of the authorized body of the AIFC, the Company was licensed (No. 112018-008) to carry out the following activities:

- Performing investment transactions as a principal;
- Performing investment transactions as an agent;
- Investment management;
- Consulting on investing activities;
- Setting up investment deals.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

On 4 March 2019, the license was supplemented by another type of activity - management of collective investment schemes.

The aforementioned licenses for the corresponding types of activities at the AIFC are comparable to those issued by the National Bank of Kazakhstan to the Company itself.

On 31 December 2021, in accordance with the order of the Deputy Chairman of the Agency of the Republic of Kazakhstan for the regulation and development of the financial market dated 30 December 2021 No. 427, the Company received a banking license No. 4.3.15., which gives the right to carry out exchange operations with foreign currency, except for exchange operations with foreign currency in cash.

The principal activities of the Company are operations on the professional securities market, investment and corporate finance advisory services, including brokerage and dealing, distribution and underwriting of securities, securities trading as an agent in the Company's own right and rendering of asset management services.

During 2022 and 2021, the Company managed the following unit investment funds:

Investment fund name	Type of fund	License #
Halyk-Valutniy	Interval mutual investment fund	Certificate of state registration #17 dd 08.12.2015
Realnye investicii	Closed unit investment fund for risk investment	Certificate of state registration # KZ48VHB00000062 dd 30.07.2019
Halyk-Likvidnyi	Interval mutual investment fund	Certificate of state registration # KZ96VHB00000071 dd 18.12.2019
Halyk-Perspektivnye investicii	Interval mutual investment fund	Certificate of state registration # KZ69VHB00000072 dd 18.12.2019
Halyk-Sbalansirovannyi	Interval mutual investment fund	Certificate of state registration # KZ26VHB00000070 dd 18.12.2019
Halyk Global	Interval mutual investment fund	Certificate of state registration # 0000015 dd 15.09.2022

Interval mutual investment fund "Halyk-Valutniy" was registered in December 2015 and started functioning under management of the Company in February 2016.

The closed unit investment fund for risk investment "Realnye investicii" was registered in July 2019 and started under management of the Company in August 2019. On 12 October 2021, on the basis of subparagraph 3 of paragraph 1 of Article 33 of the Law of the Republic of Kazakhstan "On investment and venture funds", the existence of this fund was terminated.

Interval mutual investment funds "Halyk-Likvidnyi", "Halyk-Perspektivnye investicii" and "Halyk-Sbalansirovannyi" were founded and registered in December 2019 and began to operate under the management of the Company in June 2020.

The interval mutual investment fund Halyk Global was admitted to investment management of the Company in October 2022.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The Company's registered legal address is Abay st. 109B, Floor 5, Almaty, the Republic of Kazakhstan.

As at 31 December 2022 and 2021, the number of the Company's employees was 106 and 100, respectively.

These financial statements of the Company for the year ended 31 December 2022 were authorized for issue by the Management Board of the Company on 3 March 2023 and are subject for subsequent approval by the Board of Directors and the Sole Shareholder in accordance with the requirements of the legislation of the Republic of Kazakhstan.

2. Significant accounting policies

Statement of compliance

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

These financial statements have been prepared assuming that the Company is a going concern and will continue operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand"), unless otherwise indicated.

These financial statements have been prepared on the historical cost basis except for 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Kazakhstani tenge ("KZT"). The presentational currency of the financial statements of the Company is the KZT. All values are rounded to the nearest thousand tenge, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized 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 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 Company.

Revenue recognition

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortized 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 receipts (including all fees on points 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 debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

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

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on repurchase and reverse repurchase agreements is recognized as interest income or expense in the statement of profit or loss using the effective interest method.

Fee and commission income and expense are recognized when services are provided and received.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Commission income from asset management

Revenue from the asset management services is the commission received for the asset management services rendered for a certain period of time. The commission of the company for the clients' asset management consists of fixed fee and variable fee. Fixed fee is determined based on the value of the net assets of clients under the Company's management and is recognized on a monthly basis as asset management services are rendered. Variable fee is paid based on the net investment income from assets under management for the calendar year and is recognized in the period in which the investment income was earned.

Commission income from brokerage services

Commission income from brokerage services is recognized as services are rendered and in accordance with the terms of the contract. Accounting of the financial instruments of the clients acquired by the Company as a broker on behalf of, at the expense and in the interests of the client on the basis of a brokerage service agreement with the right to maintain customer accounts as a nominal holder, is kept separate from own assets in off-balance accounts.

Commission income from underwriting services

Commission income from underwriting services is recognized upon the provision of services in accordance with the terms of the contract. The Company's remuneration consists of remuneration for the provision of financial consultant services and underwriter services.

Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

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 recognized immediately in profit or loss.

Trade and other receivables and trade and other payables are measured after recognition at cost less impairment losses.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'at fair value through other comprehensive income' ("FVTOCI"), 'at amortized cost'. The classification depends on the business model and the criteria for the condition of a simple (basic) lending arrangement, according to which contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI) and is determined at the time of initial recognition.

Financial assets at FVTOCI

Financial assets are classified as at FVTOCI which meet the criteria for the condition of a simple (basic) lending arrangement, according to which contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI) and are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments.

To classify and measure an asset at fair value through other comprehensive income, the terms of the contract must give rise to cash flows that include only payments of principal and interest on the principal amount outstanding.

When testing the contractual cash flows for compliance with these requirements, the principal amount of the debt is treated as the fair value of the financial asset at initial recognition. During the life of the financial asset, the principal amount of the debt may change (for example, in the case of principal payments). Interest includes consideration for the time value of money, for credit risk in respect of principal outstanding for a specified period of time, and for other normal risks and costs associated with lending, as well as profit margins. Payments of principal and interest are measured in the currency in which the financial asset is denominated.

Fair value is determined in the manner described in Note 22.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or indicate the emergence of a new business model. The Company reviews its business models in each reporting period to identify changes from the previous period. In the current reporting period, the Company has not identified any changes in its business models.

Impairment losses, interest income calculated using the effective interest method, for debt instruments are recognized in profit or loss.

Foreign exchange difference of account adjustments to the fair value of debt and equity financial instruments measured at fair value through other comprehensive income is reflected in equity.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

When a debt instrument is derecognized, the cumulative gains/losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

When an equity instrument is derecognized, the cumulative gains/losses previously recognized in other comprehensive income are reclassified to retained earnings.

Financial assets at amortized cost

Financial assets are classified as at amortized cost which meet the criteria for the condition of a simple (basic) lending arrangement, according to which contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI) and are held within a business model whose objective is to collect the contractual cash flows.

Correspondent account transactions, “reverse repo” transactions, due from banks are assets whose hold to maturity / demand is a priority, therefore, they are held within a business model whose objective is to collect the contractual cash flows, and classified as at amortized cost which meet the criteria for the condition of a simple (basic) lending arrangement, according to which contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI).

The profit or loss reflects the result of derecognition of a financial asset, foreign exchange differences, accrual of interest income using the effective interest method, which is calculated based on transaction costs, including received commissions, and modifications of the financial asset related to the revision of the terms of the contract.

Financial assets at FVTPL

Any financial assets that are not held in categories at amortized cost or FVTOCI are measured at FVTPL and are held within a business model whose objective is retention of an asset for other purposes.

Investments in equity financial instruments do not meet the criterion for the condition of a simple (basic) loan agreement, according to which contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI) and are always measured at FVTPL, unless the Company decided to present subsequent changes in fair value of this investment in other comprehensive income (OCI). In this case, the investment in equity financial instrument will be measured at FVTOCI without the right to be further reclassified.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss in the line “Net gain on financial assets at fair value through profit or loss” except for gains/(losses) on foreign exchange transactions on debt instruments, which is disclosed in the line “Net gain/(loss) on foreign exchange operations”. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the ‘other gains and losses’ and ‘interest income’ line item, respectively, in the statement of profit or loss. Fair value is determined in the manner described in Note 22.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Derivative financial instruments

Derivative financial instruments belong to the category of financial assets or liabilities with FVTPL and can not be transferred from this category. The nominal value or nominal value of a derivative financial instrument is recorded on off-balance sheet accounts. Subsequent measurement is carried out at fair value, resulting gains and losses are recognized in profit or loss for the period.

Receivables

Accounts receivable are classified as financial assets at amortized cost. Accounts receivable are accounted separately for both operations related to the main activity and operations related to non-core activities, which include the Company's business operations.

Accounts receivable reflect the Company's claims towards counterparties for the Company's main and business operations, as well as advance payment to suppliers for goods and services on the Company's main and business activities.

Write-off of accounts receivable

Receivables are written-off against the allowance for impairment losses when deemed uncollectible. Receivables are written-off after management has exercised all possibilities available to collect amounts due to the Company. Subsequent recoveries of amounts previously written-off are reflected as an offset to the charge for impairment in the statement of profit or loss in the period of recovery.

Securities repurchase and reverse repurchase agreements

In the normal course of business, the Company enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Company as an element of its treasury management. A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as the liabilities.

Financial assets purchased under reverse repos are not recorded in the financial statements, while cash paid for reverse repos are recognized as claims and are classified within due from banks or cash and cash equivalents, depending on the original maturity of the agreements.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Derecognition of financial assets

The Company derecognizes 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 party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize 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. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Loans received from related parties, subordinated debt and other financial liabilities, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortized cost. Interest expense is calculated using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. 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. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on current accounts in banks with an original maturity of three months or less and the loans under reverse repurchase agreements with original maturity up to three months.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Due from banks

In the normal course of business, the Company maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Property and equipment

Furniture, equipment and other property are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and other real estate	8%
Furniture and equipment	10-30%
Vehicles	7-10%
Other property and equipment	7-15%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized 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 properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Intangible assets

Intangible assets are acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. 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 financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

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

Current and deferred tax for the year

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.

Operating taxes

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

Share capital

Contributions to share capital are recognized at cost of the cash contributed.

Dividends on ordinary shares and dividends in excess of nominal dividends on preferred shares are recognized 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.

Retirement and other benefit obligations

In accordance with requirements of the legislation of the Republic of Kazakhstan pension payments are calculated by an employer as certain percentages of salary expenses and transferred to JSC Unified Accumulated Pension Fund ("Fund"). This expense is charged to the 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 Fund. The Company does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Fiduciary activities

The Company provides trustee services to its customers. The Company also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Company's financial statements. The Company accepts the operational risk on these activities, but the Company's customers bear the credit and market risks associated with such operations.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	31 December 2022	31 December 2021
KZT/1 US dollar	462.65	431.80
KZT/1 Euro	492.86	489.10

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the Company management is required to make judgments, estimates 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 recognized 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 following are the critical judgments, apart from those involving estimations (see below), that the Company management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

According to IFRS 9 "Financial Instruments", ECLs are required to be measured through a loss allowance at an amount equal to: lifetime ECL that result from those default events on the financial instrument that are possible within 12 months (referred to as Stage 1), lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2), and in case of one or several impairment events for a financial asset (Stage 3).

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Expected credit losses of Stage 1 the Company recognizes in respect of all financial assets subject to impairment requirements from the date of initial recognition, except the following cases:

- the credit risk on a financial asset has increased significantly since the initial recognition of this asset;
- a financial asset is credit-impaired upon initial recognition.

Expected credit losses of Stage 2 are required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. An increase in credit risk will be determined for each financial asset individually according to transition criteria, but not limited to them.

Expected credit losses of Stage 3 the Company recognizes in respect of financial assets for which one or more impairment events occurred.

For a financial asset, the issuer of which is assigned an internal "investment level" rating, a significant increase in credit risk is not evaluated, as the Company recognizes these financial assets as having low credit risk. Thus, for financial assets with an "investment grade" rating, expected credit losses are calculated only for possible defaults within 12 months and are classified to Stage 1.

The criteria for the transfer of a financial asset from Stage 1 to Stage 2 are:

Quantitative assessment:

- reduction of the internal rating by 3 steps from the moment of its initial recognition, provided that at the reporting date the issuer was assigned a rating below investment grade BBB-;
- reduction of the internal rating by 1 step, if at the time of initial recognition the internal rating was assigned at the level from CCC + to D (not including);
- delay in payment of interest and / or principal debt for 1 business day or more, with the exception of technical delays;
- reduction of the value of this financial asset in the active market by 40% during the six-month period prior to the reporting date.

Qualitative assessment:

- negative news related to the issuer / counterparty, such as: deterioration of the issuer's financial condition, deterioration of the issuer's competitive position in its industry;
- systematic violation of prudential norms set by the regulator for consecutive 6 months in cases where the issuer is a credit institution, violation of legal requirements, etc.

A financial asset that was transferred to Stage 2 can be classified into Stage 1 if the criteria for a significant increase in credit risk since the initial recognition mentioned above are no longer met at the reporting date, or the issuer's credit rating of the financial asset has been upgraded to "investment level".

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The criteria for the transfer of a financial asset to Stage 3 are:

Quantitative assessment:

- reduction of the internal rating to the level D (default);
- delay in payment of interest and / or principal debt for 30 calendar days or more.

Qualitative assessment:

- negative information about the issuer: liquidation, restructuring or other reorganization of the issuer related to its inability to pay obligations;
- catastrophic events as a result of which the issuer's activity is suspended;
- default on other financial instruments of the issuer / counterparty;
- introduction to the issuer of the observation procedure, or external management, or financial rehabilitation (reorganization), the appointment of an arbitration (competitive) manager or other similar actions and measures, etc.

A financial asset that was transferred to Stage 3 may be classified to Stage 2 if the requirements for transition to Stage 3 are indicated above are no longer met at the reporting date.

4. Amendments to IFRSs affecting amounts reported in the financial statements

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

In the current year, Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company 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

- *Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"*
- *Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"*
- *Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"*
- *Amendments to IAS 8 "Definition of Accounting Estimates"*
- *Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*

The management does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

5. Net interest income

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income		
Financial assets at fair value through profit or loss	4,371,198	3,039,791
Financial assets at fair value through other comprehensive income	572,039	375,737
Loans under reverse repurchase agreements	90,850	32,934
Total interest income	5,034,087	3,448,462
Interest expense		
Securities repurchase agreement obligations	(1,855,651)	(1,064,029)
Loans received from related party	(1,593,036)	(445,544)
Total interest expense	(3,448,687)	(1,509,573)
Net interest income	1,585,400	1,938,889

During 2022 and 2021, the total interest income on impaired financial assets amounted to KZT Nil.

6. Net (loss)/gain on financial assets at fair value through profit or loss

	Year ended 31 December 2022	Year ended 31 December 2021
Realised (loss)/gain on trading operations	(2,372,185)	1,622,421
Unrealised (loss)/gain on trading operations	(2,606,286)	28,990
Total net (loss)/gain on financial assets at fair value through profit or loss	(4,978,471)	1,651,411

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

For the year ended 31 December 2022, net gain on financial assets at fair value through profit or loss included net gain on foreign exchange operations on non-monetary assets at fair value through profit or loss in amount of KZT 312,045 thousand (2021: net gain – KZT 106,391 thousand).

7. Net gain on foreign exchange operations

	Year ended 31 December 2022	Year ended 31 December 2021
Net gain on foreign exchange operations on financial assets at fair value through profit or loss, net	3,177,314	349,723
Net loss from foreign currency purchase and sale operations	(102,067)	(2,982)
Net loss on foreign exchange operations, net of financial assets at fair value through profit or loss, net	(752,961)	(63,734)
Total net gain on foreign exchange operations	2,322,286	283,007

8. Commission income and expense

	Year ended 31 December 2022	Year ended 31 December 2021
Commission income:		
Underwriting services	1,180,904	199,962
Asset management services	1,156,654	1,842,584
Brokerage services	395,234	352,932
Market making services	71,544	75,748
Representative bondholders services	960	960
Total commission income	2,805,296	2,472,186
Commission expense:		
Custodian services	(85,751)	(134,441)
Trading commission	(21,147)	(1,256)
Investment fund registration and management	(319)	(343)
Other commission expense	(16,567)	(34,167)
Total commission expense	(123,784)	(170,207)

For the year ended December 2022, the amount of variable and fixed income received from asset management services amounted to KZT 638,317 thousand and KZT 518,337 thousand, respectively.

For the year ended December 2021, the amount of variable and fixed income received from asset management services amounted to KZT 1,222,699 thousand and KZT 544,860 thousand, respectively. During 2021, the Company accrued income received as a result of debt collection on certain financial instruments in accordance with the investment portfolio management agreement between JSC "Halyk Finance" and JSC "Halyk Life" in the amount of KZT 75,025 thousand.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued)
for the Year Ended 31 December 2022
(in thousands of Kazakhstani Tenge)

9. Dividend income

	Year ended 31 December 2022	Year ended 31 December 2021
Equity securities:		
JSC Kazakhtelekom	98,345	43,780
JSC Halyk Bank of Kazakhstan	92,028	222,837
ETF ISHARES JP MORGAN USD EM Bond	65,870	-
JSC KazTransOil	29,200	148,247
VERIZON COMMUNICATIONS INC	15,513	6,142
ETF INVESCO EMERGING MARKETS SOVEREIGN DEBT	11,518	-
AT&T INC	10,321	12,624
Unilever PLC	5,603	1,366
FEDEX CORP	2,133	-
Stanley Black & Decker Inc	1,556	-
GLOBAL PAYMENTS INC	1,476	-
VISA INC. CMN	793	-
POLYMETAL INTERNATIONAL PLC	-	8,846
Turkcell Iletisim Hizmetleri AS	-	5,042
ETF VANECK VECTORS GOLD MINERS E	-	2,869
BARRICK GOLD CORP	-	2,269
KINROSS GOLD CORP	-	1,990
JSC Kcell	-	1,557
KAZ Minerals (KAZAKHMYS PLC)	-	1,367
Merck & Co Inc	-	802
VIACOMCBS Inc.	-	547
E-Commodities Holding Limited	-	223
Other	1,263	2,484
Total dividend income	335,619	462,992

10. Operating expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Staff costs and bonuses	1,156,110	1,260,408
Information services	138,314	115,289
Depreciation and amortization	116,464	73,665
Rent	75,139	64,682
Advertising cost	36,602	103,054
Property and equipment maintenance	32,322	50,117
Professional fees	28,049	40,938
Communication	21,812	31,872
Subscription fees	12,091	5,893
Stationery	5,153	6,761
Business trip expenses	3,769	4,435
Insurance	2,712	2,239
Training	2,005	2,819
Taxes, other than income tax	950	2,105
Other expenses	79,057	81,232
Total operating expenses	1,710,549	1,845,509

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

For the years ended 31 December 2022 and 2021, provision on bonuses amounted to KZT Nil and KZT 221,554 thousand, respectively.

11. Income taxes

The Company measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Kazakhstan, which may differ from IFRS.

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

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 as at 31 December 2022 and 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Temporary differences as at 31 December 2022 and 2021 comprise:

	31 December 2022	31 December 2021
Deductible temporary differences:		
Vacation reserves accrued, but not paid	128,723	118,197
Bonuses accrued, but not paid	-	240,831
Total deductible temporary differences	128,723	359,028
Taxable temporary differences:		
Property and equipment and intangible assets	75,949	(114,519)
Total taxable temporary differences	75,949	(114,519)
Net deductible temporary differences	204,672	244,509
Net deferred tax assets at the statutory rate (20%)	40,934	48,902

According to the Tax Code, realised losses on securities shall be compensated at the expense of income from capital gains received in selling other securities, with the exception of income from capital gains received in sale of securities by using the method of open auctions at Kazakhstan Stock Exchange (further – “KASE”). Where those losses may not be compensated in the period in which they were incurred, they may be carried forward for the next ten years inclusive and be compensated at the expense of capital gain income received from sales of other securities. During the years ended 31 December 2022 and 2021, the Company did not incur any losses that can be carried forward to subsequent years.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Relationships between tax expenses and accounting profit for the years ended 31 December 2022 and 2021 are presented as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
(Loss)/profit before income tax	(2,008,395)	4,909,815
Tax at the statutory tax rate 20%	(401,679)	981,963
Tax-exempt interest income and other related income on state and other securities	(889,681)	(744,686)
(Non- deductible loss)/non-taxable income from (accrual)/recovery of provision for impairment losses on financial assets	459,558	(18,532)
Non-deductible losses from revaluation of securities and derivatives	1,058,103	-
Non-taxable dividend income	(67,124)	(92,598)
Other	84,473	-
Income tax expense	243,650	126,147
Current income tax expense	235,683	57,710
Deferred income tax expense	7,967	68,437
Income tax expense	243,650	126,147
	2022	2021
Deferred income tax assets:		
Beginning of the year	48,902	117,339
Change in deferred income tax balance recognized in profit or loss	(7,967)	(68,437)
End of the year	40,934	48,902

12. (Loss)/earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year by the weighted average number of participating shares outstanding during the year.

	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/income for the year attributable to equity holders	(2,252,045)	4,783,668
Less: dividends paid on preferred shares	-	-
(Loss)/income attributable to common Shareholders	(2,252,045)	4,783,668
Weighted average number of ordinary shares for purposes of basic or diluted earnings per share	6,057,289	6,057,289
(Loss)/earnings per share – basic and diluted (KZT)	(372)	790

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The book value per share for each type of shares as at 31 December 2022 and 2021 is as follows:

Type of shares	31 December 2022			31 December 2021		
	Outstanding shares	Net assets (as calculated per KASE rules)	Book value per share (KZT)	Outstanding shares	Net assets (as calculated per KASE rules)	Book value per share (KZT)
Ordinary shares	6,057,289	24,220,471	3,999	6,057,289	26,780,571	4,421
		24,220,471			26,780,571	

The number of outstanding ordinary shares is calculated net of treasury shares. Net assets are calculated by subtracting intangible assets and total liabilities from total assets.

13. Cash and cash equivalents

	31 December 2022	31 December 2021
Loans under reverse repurchase agreements	960,860	-
Current accounts with banks in foreign currency	295,892	1,891,703
Current accounts with banks in KZT	61,991	57,591
Total cash and cash equivalents	1,318,743	1,949,294

Fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2022 are presented as follows:

	31 December 2022	
	Fair value of collateral	Carrying amount of loans
Coupon bonds of Ministry of Finance of the Republic of Kazakhstan	960,446	960,860

As at 31 December 2022, maturities of loans under reverse repurchase agreements are less than one month.

As at 31 December 2021, there were no assets received as collateral and loans under reverse repurchase agreements.

As at 31 December 2022 and 31 December 2021, cash and cash equivalents allowance for expected credit losses comprised KZT 7 thousand and KZT 20 thousand, respectively, and cash and cash equivalents were classified to Stage 1 in accordance with impairment classification of financial assets. There was no movement of expected credit losses in cash and cash equivalents between stages of impairment during the year.

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Notes to the Financial Statements (continued)
for the Year Ended 31 December 2022
(in thousands of Kazakhstani Tenge)

14. Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Debt securities	36,344,041	43,418,903
Equity securities	10,479,196	6,259,698
Derivative financial instruments	237,101	-
Total financial assets at fair value through profit or loss	47,060,338	49,678,601

Debt securities comprise:

	31 December 2022		31 December 2021	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities:				
Corporate bonds	3.25% - 11.50%	17,913,078	3.50%-11.50%	14,027,034
Bonds of financial institutions of Kazakhstan	6.00% - 19.00%	16,222,923	4.13%-19.00%	19,229,294
Bonds of the Ministry of Finance of the Republic of Kazakhstan	10.78%	1,022,552	5.40%-10.78%	6,907,203
Bonds of foreign financial institutions	9.50% - 15.00%	781,947	8.75%-11.00%	2,442,202
Government foreign bonds	3.88%	403,541	3.88%-5.88%	813,170
Total debt securities		36,344,041		43,418,903

As at 31 December 2022 and 2021, debt securities at fair value through profit or loss included accrued interest in the amount of KZT 720,155 thousand and KZT 732,058 thousand, respectively.

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Equity securities comprise:

	31 December 2022	31 December 2021
Equity securities:		
JSC Kazmunaigaz	4,678,886	-
ISHARES JP MORGAN USD EM Bond	1,842,463	-
JSC Halyk Bank	969,953	519,443
AO «Kazakhtelecom»	848,253	782,240
JSC KazTransOil	832,579	1,223,555
INVECO EMERGING MARKETS SOVEREIGN DEBT	169,298	-
Halyk-Perspektivnye investicii	159,055	145,246
ИПИФ Halyk Sbalansirovannyi	144,529	144,333
AT&T INC	144,285	179,941
JSC Kazakhstan Stock Exchange	133,580	133,580
POLYMETAL INTERNATIONAL PLC	117,735	727,064
VISA INC	106,886	104,056
FEDEX CORP	85,580	119,275
Qazaqstan Equity Passive SPC Limited	74,498	109,262
Qazaqstan Equity Active SPC Limited	71,289	107,314
ИПИФ Halyk-Valutniy	40,480	29,517
ИПИФ Halyk-Likvidnyi	30,083	-
JSC Kcell	29,764	171,260
VERIZON COMMUNICATIONS INC	-	296,384
BARRICK GOLD CORP	-	206,311
Unilever PLC	-	203,336
VANECK VECTORS GOLD MINERS E	-	200,266
ALIBABA GROUP HOLDING LTD	-	194,813
GLOBAL PAYMENTS INC	-	182,117
DIDI GLOBAL INC	-	139,580
CIGNA CORPORATION	-	127,711
STANLEY BLACK & DECKER INC	-	113,699
BAIDU INC	-	98,877
E-COMMODITIES HOLDING LIMITED	-	518
Total equity securities	10,479,196	6,259,698

As at 31 December 2022 and 2021, the ownership interest of equity instruments did not exceed 2.5% and 4.8%, respectively.

As at 31 December 2022, derivative financial instruments included forwards of KZT 237,101 thousand (2021: KZT Nil) with a notional amount of KZT 2,852,260 thousand (2021: KZT Nil).

15. Financial assets at fair value through other comprehensive income

	31 December 2022	31 December 2021
Debt securities	4,347,139	4,550,899
Total financial assets at fair value through other comprehensive income	4,347,139	4,550,899

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	31 December 2022		31 December 2021	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities:				
Bonds of financial institutions in Kazakhstan	13.00%	1,319,387	9.40%	1,256,685
Corporate bonds	5.75% - 11.50%	1,096,461	5.75%-11.50%	1,174,397
Bonds of the Ministry of Finance of the Republic of Kazakhstan	10.50%	1,931,291	10.50%	2,119,817
Total debt securities		4,347,139		4,550,899

As at 31 December 2022 and 2021, financial assets at fair value through other comprehensive income included accrued interest in the amount of KZT 160,554 thousand and KZT 188,866 thousand, respectively.

As of 31 December 2022 and 2021, the fair value of financial assets at fair value through other comprehensive income transferred to securities repurchase agreement obligations amounted to KZT 1,863,900 thousand and KZT 2,013,825 thousand, respectively. As of 31 December 2022 and 2021, the carrying amount of securities repurchase agreement obligations on the above assets is KZT 1,855,892 thousand and KZT 2,011,709 thousand, respectively.

As at 31 December 2022 and 2021, the allowance for expected credit losses on financial assets at fair value through other comprehensive income was KZT 20,955 thousand and KZT 644,779 thousand, respectively.

The tables below analyze the movement of the gross carrying value of financial assets at fair value through profit or loss and the allowance for expected credit losses during the 2022 and 2021:

	Stage 1	Stage 3	Total
	12-month ECL	Lifetime ECL	
Gross carrying amount as at 1 January 2021	3,076,662	646,619	3,723,281
Changes in the carrying amount			
- Transfer to stage 1	-	-	-
- Transfer to stage 2	-	-	-
- Transfer to stage 3	-	-	-
Changes due to modifications that did not result in derecognition	-	(27,230)	(27,230)
New financial assets originated or purchased	2,120,681	-	2,120,681
Write-off	(662,419)	-	(662,419)
Foreign exchange differences and other movements	41,365	-	41,365
Gross carrying amount as at 31 December 2021	4,576,289	619,389	5,195,678
Changes in the carrying amount			
- Transfer to stage 1	-	-	-
- Transfer to stage 2	-	-	-
- Transfer to stage 3	-	-	-
Write-off	-	(663,377)	(663,377)
Foreign exchange differences and other movements	(208,196)	43,988	(164,208)
Gross carrying amount as at 31 December 2022	4,368,093	-	4,368,093

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Total
Allowance for expected credit losses as at 1 January 2021	26,349	646,619	672,968
Changes in the allowance for expected credit losses			
- Transfer to stage 1	-	-	-
- Transfer to stage 2	-	-	-
- Transfer to stage 3	-	-	-
Changes due to modifications that did not result in derecognition	-	(27,230)	(27,230)
New financial assets originated or purchased	866	-	866
Financial assets that have been derecognised	(871)	-	(871)
Foreign exchange differences and other movements	(954)	-	(954)
Allowance for expected credit losses as at 31 December 2021	25,390	619,389	644,779
Changes in the allowance for expected credit losses			
- Transfer to stage 1	-	-	-
- Transfer to stage 2	-	-	-
- Transfer to stage 3	-	-	-
Write-off	-	(663,377)	(663,377)
Foreign exchange differences and other movements	(4,435)	43,988	39,553
Allowance for expected credit losses as at 31 December 2022	20,955	-	20,955

16. Accounts receivable

	31 December 2022	31 December 2021
Receivable from custodian	2,686,585	-
Accrued commission income for asset management services	703,203	1,388,295
Accrued commission income for brokerage services	130,455	95,074
Accrued commission income for underwriting services	13,015	11,629
Guarantee fees for participating on trade platform on KASE	11,000	6,000
Dividends	2,169	462
Other	272,745	200,282
	3,819,172	1,701,742
Less: allowance for expected credit losses	(1,883,539)	(3,643)
Total accounts receivable	1,935,633	1,698,099

As at 31 December 2022 and 2021, accrued commission income for asset management services mainly includes variable fee earned on investment income generated on management of the net assets of the related parties, which exceeded the levels of the investment income levels agreed by asset management agreements.

As at 31 December 2022, receivable are represented mainly from custodian bank JSC "Bereke Bank" (previously – SB JSC "Sberbank"). The Company's portfolio included bonds of KTZ Finance LLC denominated in Russian rubles and issued in accordance with the legislation of the Russian Federation in the amount of RUB 400 million in nominal terms. The accounting and storage of these bonds was carried out by SB JSC Sberbank in JSC Non-Bank Credit Institution National Settlement Depository (hereinafter – "NSD") through the international depository Clearstream Banking S.A. (hereinafter – "Clearstream").

JSC Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

In June 2022, the issuer promptly and fully fulfilled its obligations to repay coupon bonds and paid the debt in the amount of RUB 415,707 thousand by transferring funds to NSD. These funds were transferred to accounts "C" (accounts before clarification) opened in the name of Clearstream in NSD, which were blocked due to sanctions. As at 31 December 2022, the above funds have not yet been unblocked and credited to the Company's accounts.

In September 2022, the National Managing Holding "Baiterek" bought out a full stake in the subsidiary bank of Sberbank in Kazakhstan (SB JSC "Sberbank"). After the buyout, a rebranding was carried out, as a result of which the bank became known as JSC "Bereke Bank". Currently, the process of withdrawal from the sanctions of JSC "Bereke Bank" is underway and it is expected that it will be completed in March 2023. Accordingly, it is expected that funds will be unblocked and received from the repayment of the bonds of KTZ Finance LLC. Along with the above, the Company is working to unlock the above funds by alternative methods.

To calculate the expected credit losses on the expected (overdue) amounts of principal and/or interest on accounts receivables, the Company used data from Moody's report on Corporate Defaults to determine the probability of default within 12 months and the level of loss in case of default.

The Company used data from Moody's Corporate Default Report to calculate expected credit losses for trade receivables to determine the probability of default for 12 months and the level of default loss. There have been no changes in valuation methods or significant assumptions during the current reporting period.

As at 31 December 2022 and 2021, expected credit losses on accounts receivable amounted to KZT 1,883,539 thousand and KZT 3,643 thousand, respectively. As at 31 December 2022, accounts receivables from the redemption of international bonds of LLC "KTZh Finance" and from the payment of a coupon on international bonds of the Republic of Belarus were classified to Stage 2 in accordance with impairment classification of finance assets. The remaining amount of the accounts receivable were classified to Stage 1 in accordance with impairment classification of financial assets.

As at 31 December 2021, accounts receivable were classified to Stage 1 in accordance with impairment classification of finance assets.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Movements in allowance for expected credit losses on accounts receivable are presented as follows:

	Allowance for expected credit losses on accounts receivable
1 January 2021	70,233
Additional provision recognized	75,334
Write-off	(2,131)
Recovery	(139,793)
31 December 2021	3,643
Additional provision recognized	2,274,449
Write-off	(2,978)
Foreign exchange differences	(375,361)
Recovery	(16,213)
31 December 2022	1,883,539

17. Loans received from related party

	31 December 2022		
	Interest rate,%	Maturity	Carrying amount
Loans received from JSC Halyk Bank	3.25% - 12.00%	May 2023 - February 2025	16,064,837
Total loans received from related party			16,064,837

	31 December 2021		
	Interest rate, %	Maturity	Carrying amount
Loans received from JSC Halyk Bank	3.20%-12.00%	March 2022- December 2024	17,017,590
Total loans received from related party			17,017,590

As at 31 December 2022 and 2021, loans received from related party included accrued interest in the amount of KZT 256,015 thousand and KZT 283,704 thousand, respectively.

As at 31 December 2022 and 2021, loans received from related party was classified as Level 3.

In case of violation of obligations under the loan agreement with the Parent, such as repayment of principal or interest in favor of the Parent, reorganization of the Company, change of shareholders, reduction of the authorized capital of the Company without the consent of the Parent Company and in case of misuse of borrowed funds, the Parent may withdraw without acceptance money from the current accounts of the Company in the amount of up to KZT 7,614,837 thousand. The Company is not required to keep minimum amounts on its checking accounts. As at 31 December 2022 and 2021, the Company did not violate the terms of the loan agreement.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The table below details changes in the Company'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 Company's statement of cash flows from financing activities.

	31 December 2021	Net cash outflow	Change in accrued interest	Foreign exchange movement	31 December 2022
Loans received from related party	17,017,590	(1,565,706)	(114,346)	727,299	16,064,837
	31 December 2020	Net cash inflow	Change in accrued interest	Foreign exchange movement	31 December 2021
Loans received from related party	7,783,131	9,000,854	146,318	87,287	17,017,590

18. Securities repurchase agreement obligations

	31 December 2022	31 December 2021
Loans under repurchase agreements	14,412,523	14,134,866
Interest payable	60,233	64,125
Total loans under repurchase agreements	14,472,756	14,198,991

Fair value of assets pledged and carrying amount of loans under securities repurchase agreement obligations as at 31 December 2022 and 2021 are presented as follows:

	31 December 2022	
	Fair value of collateral	Carrying amount of loans
Coupon bonds of JSC Industrial Development Fund	4,755,660	4,767,652
Coupon bonds of JSC Development Bank of Kazakhstan	3,802,022	3,917,353
Coupon bonds of JSC Kazakhstan Sustainability Fund	2,556,880	2,561,989
Coupon bonds of the Ministry of Finance of the Republic of Kazakhstan	2,075,274	2,072,424
Coupon bonds Eurasian Development Bank	749,875	751,166
Coupon bonds of JSC Kazakhtelecom	410,713	402,172
Total	14,350,424	14,472,756
	31 December 2021	
	Fair value of collateral	Carrying amount of loans
Coupon bonds of the Ministry of Finance of the Republic of Kazakhstan	8,813,437	8,734,546
Coupon bonds of JSC Kazakhstan Sustainability Fund	2,887,857	2,833,866
Discount notes of JSC Development Bank of Kazakhstan	2,630,580	2,630,579
Total	14,331,874	14,198,991

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

19. Share capital

As at 31 December 2022 and 2021, the authorized, issued and fully paid share capital comprised 6,057,289 ordinary shares for the total amount of KZT 11,240,188 thousand. Each ordinary share is entitled to one vote and equal rights in the distribution of dividends.

During 2022, the Company did not accrue or declare any dividends on its ordinary shares.

During 2021, the Company accrued and announced total amount of dividends to its ordinary and preference shareholders in the amount of KZT 3,338,415 thousand. The dividend per common share amounted to KZT 0.55.

The ARDFM establishes and monitors the fulfillment of the requirements for the Company's capital level. In accordance with the requirements of the ARDFM, broker-dealer and investment portfolio management companies must maintain the ratio of liquid assets minus liabilities above a certain established minimum level. As at 31 December 2022 and 2021, the established minimum level was 1.

As at 31 December 2022, the ratio of liquid assets less liabilities to the statutory minimum capital amounted to 1.6 (31 December 2021: 1.7).

As at 31 December 2022 and 2021, the Company was in compliance with prudential norms.

20. Commitments and contingencies

Capital commitments

As at 31 December 2022 and 2021, the Company had no material commitments for capital expenditure outstanding.

Operating lease commitments

As at 31 December 2022 and 2021, the Company had no material commitments on operating lease outstanding.

Legal proceedings

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

Fiduciary activities

In the normal course of its business the Company enters into agreements with limited rights on decision making with clients for their asset management in accordance with specific criteria established by clients. Those assets and securities that are held for fiduciary capacity are not included in these financial statements.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

During the years ended 31 December 2022 and 2021, the Company had asset management agreements with Joint Stock Company "Subsidiary Company of Halyk Bank life insurance "Halyk Life" ("JSC Halyk Life"), Joint Stock Company "Subsidiary Organization of Halyk Bank "Insurance Company Halyk" ("JSC IC Halyk"), and LLP "Subsidiary Organization of Halyk Bank "Halyk Inkassatsiya" (LLP "Halyk Inkassatsiya").

On 16 November 2022, the Company entered into trust management agreement of pension assets with JSC "Unified Accumulative Pension Fund".

On 31 August 2021, the Company entered into trust management agreements for two investment portfolios of AIX FM Limited - QAZAQSTAN EQUITY ACTIVE SPC LIMITED and QAZAQSTAN EQUITY PASSIVE SPC LIMITED.

As at 31 December 2022 and 2021, financial assets of JSC Halyk Life managed by the Company amounted to KZT 259,081,068 thousand and KZT 207,840,371 thousand, respectively.

As at 31 December 2022 and 2021, financial assets of JSC IC Halyk managed by the Company amounted to KZT 102,143,236 thousand and KZT 86,647,420 thousand, respectively.

As at 31 December 2022 and 31 December 2021, the financial assets of LLP Halyk Inkassatsiya amounted to KZT 1,941,233 thousand and KZT 1,717,464 thousand, respectively.

As at 31 December 2022 and 2021, financial assets of QAZAQSTAN EQUITY ACTIVE SPC LIMITED managed by the Company amounted to KZT 695,769 thousand and KZT 884,816, respectively.

As at 31 December 2022 and 2021, financial assets of QAZAQSTAN EQUITY PASSIVE SPC LIMITED managed by the Company amounted to KZT 711,040 thousand and KZT 886,237, respectively.

As at 31 December 2022, pension assets managed by the Company amounted to KZT 8,369 thousand.

The carrying amount of the financial assets under management of the Company approximates to the fair value due to the nature of the assets under management. The commission income is determined as a certain percentage from the financial assets.

There is also variable fee earned for exceeding the level of investment income specified in the agreement. The Company does not bear any risk in cases when investment income is negative.

Taxation

Tax legislation of the Republic of Kazakhstan may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed with additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on receivables, as an underestimation of the taxable profit. The management of the Company believes that it has accrued all tax amounts due and therefore no allowance have been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Pensions and retirement plans

Employees of the Company 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 Company was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and 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.

Average Brent oil price for 2022 was about 99.8 USD per barrel (68.63 USD per barrel in 2021). For 2022, the economy grew by 3.2%. In December 2022, year on year inflation in Kazakhstan was 20.3%. Prices for food products increased by 25.3%, non-food products - by 19.4%, paid services - by 14.1%.

The Monetary Policy Committee of the National Bank of the Republic of Kazakhstan (further – “NBRK”) decided to keep the base rate at 16.75% per annum with a corridor of +/- 1 p.p. This decision was based on forecasts and analysis of actual data of NBRK. Monthly inflation is gradually slowing down while simultaneously exceeding its average annual values, which is in line with the base scenario of the NBRK's forecast. However, the negative impact of the restructuring of supply chains on the economy continues and pro-inflationary risks remain. The situation with external demand against the backdrop of recession risks in the world, as well as logistical conditions, introduce uncertainty about the trajectory of oil prices and economic growth.

The National Bank assesses the base rate as quite high. The potential for further increases in the base rate is limited. Keeping the base rate at current values for an extended period of time will help stabilize inflation and gradually reduce it in the medium term. The probability of further tightening of monetary policy in the absence of new pro-inflationary shocks is assessed as low.

The impact of anti-Russian sanctions has a limited impact on the Company's currency risk; the portfolio contains an insignificant part of claims on securities of issuers of the Republic of Kazakhstan, denominated in Russian rubles, in an amount that is immaterial in relation to the Company's assets. In October 2022, the Russian ruble denominated bonds of the Ministry of Finance of the Republic of Kazakhstan in the Company's portfolio were sold, the proceeds from the sale were converted into KZT. In addition, the Company hedges the bulk of its open currency position in Russian rubles through forward transactions. The Company has a sufficient amount of equity capital and liquid assets, a significant deterioration in the financial position of the Company and violation of regulatory requirements and standards is not expected.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company might be significant.

21. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures".

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

	31 December 2022		31 December 2021	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	185,669	1,318,743	21,404	1,949,294
- the Parent	185,669		21,404	
Financial assets at fair value through profit or loss	1,358,408	47,060,338	671,413	49,678,601
- the Parent	1,224,828		537,833	
- other related parties	133,580		133,580	
Accounts receivable	778,733	1,935,633	1,327,237	1,698,099
- entities under common control	677,337		1,311,303	
- other related parties	98,553		28	
- the Parent	1,783		15,660	
- key management personnel of the Company or the Parent	1,060		246	
Loans received from related party	16,064,837	16,064,837	17,017,590	17,017,590
- the Parent	16,064,837		17,017,590	
Other liabilities	51,300	271,278	40,060	517,921
- other related parties	29,200		21,686	
- key management personnel of the Company or the Parent	20,645		16,551	
- entities under common control	755		1,150	
- the Parent	699		673	

The remuneration of directors and other members of key management comprise:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation:				
- short-term employee benefits	151,711	1,156,110	235,525	1,260,408

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The following amounts which were recognized in transactions with related parties included in the statement of profit or loss for the years ended 31 December 2022 and 2021:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	1,629	5,034,087	12,292	3,448,462
- the Parent	1,629		12,292	
Interest expense	(1,593,036)	(3,448,687)	(445,544)	(1,509,573)
- the Parent	(1,593,036)		(445,544)	
Net (loss)/gain from financial assets at fair value through profit or loss	(1,218,272)	(4,978,471)	681,217	1,651,411
- the Parent	(1,218,272)		681,217	
Commission income	990,149	2,805,296	1,648,761	2,472,186
- entities under common control	952,057		1,635,027	
- the Parent	26,194		2,888	
- key management personnel of the Company or the Parent	11,693		4,510	
- other related parties	205		6,336	
Dividend income	92,028	335,619	222,837	462,992
- the Parent	92,028		222,837	

22. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The Company's valuation approach and fair value hierarchy categorization for certain significant classes of financial instruments recognized at fair value at 31 December 2022 and 2021 are as follows:

Financial Instruments	Fair value at 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial assets at fair value through profit or loss (Note 14)	237,101	-	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 14)	20,350,138	Level 1	Quoted bid or last deal prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 14)	26,473,099	Level 2	Quoted bid or last deal prices in a market that is not active.	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	47,060,338		49,678,601		
Non-derivative financial assets at fair value through other comprehensive income (Note 15)	2,004,516	Level 1	Quoted bid or last deal prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income (Note 15)	2,342,623	Level 2	Quoted bid or last deal prices in a market that is not active.	Not applicable	Not applicable
Total financial assets at fair value through other comprehensive income	4,347,139		4,550,899		

As at 31 December 2022 and 2021, in its investment securities portfolio there are no equity securities held at cost.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

As at 31 December 2022, there were transfers from level 1 to level 2 and from level 2 to level 1. Total amount of debt securities at fair value through profit or loss transferred from level 1 to level 2 amounted to KZT 1,069,678 thousand. Total amount of debt securities at fair value through profit or loss transferred from level 2 to level 1 amounted to KZT 1,214,331 thousand. The reclassification between level 1 to 2 and level 2 to 1 occurred due to the decrease or increased in trading volume and prices on the market.

As at 31 December 2021, there were no transfer between levels. The management considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost and recognized in the financial statements approximate their fair values, due to the short-term nature of such financial instruments.

23. Risk management policies

Management of risk is fundamental to the Company's business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to market movements in interest rates, fair values and currencies as well as liquidity risk. A summary description of the Company's risk management policies in relation to the financial risks is discussed below.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash equivalents, due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost and trade and other receivables. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of trade and other accounts receivable less allowance for impairment losses represents the maximum amount exposed to credit risk. The Company has no significant concentrations of credit risk. Financial assets at fair value through profit or loss consist of quoted securities of major Kazakhstan financial institutions and corporations, which have a good reputation and international ratings, bonds of the Ministry of Finance of the Republic of Kazakhstan and foreign issuers' quoted bonds and shares.

Maximum exposure of credit risk

The Company's maximum exposure to credit risk varies significantly and is dependent on both individual risks to which specific assets are exposed, and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet financial assets. As at 31 December 2022 and 2021, for financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral except for cash and cash equivalents, FVTPL and FVTOCI.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The following table details the credit ratings of financial assets held by the Company:

	A+	BBB	<BBB	Not rated	31 December 2022 Total
Cash and cash equivalents	-	-	204,818	1,113,925	1,318,743
Financial assets at fair value through profit or loss	106,886	25,782,308	17,249,663	3,921,481	47,060,338
Financial assets at fair value through other comprehensive income	-	3,027,752	1,319,387	-	4,347,139
Accounts receivable	1,771	363,993	503,409	1,066,460	1,935,633

	A+	BBB	<BBB	Not rated	31 December 2021 Total
Cash and cash equivalents	-	-	1,926,501	22,793	1,949,294
Financial assets at fair value through profit or loss	601,082	19,864,170	26,213,723	2,999,626	49,678,601
Financial assets at fair value through other comprehensive income	-	2,226,374	1,067,840	1,256,685	4,550,899
Accounts receivable	-	444,946	910,199	342,954	1,698,099

The finance industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Company is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Company's risk management policy are not breached.

Geographical concentration

The Investment Committee exercises control over the risk in the legislation and regulatory area and assesses its influence on the Company's activity. This approach allows the Company to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

The geographical concentration of the financial assets and liabilities at 31 December 2022 and 2021 is set out below:

	Republic of Kazakhstan	OECD Countries	Non-OECD Countries	31 December 2022 Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,318,743	-	-	1,318,743
Financial assets at fair value through profit or loss	43,408,603	2,348,512	1,303,223	47,060,338
Financial assets at fair value through other comprehensive income	4,347,139	-	-	4,347,139
Accounts receivable	1,126,911	2,169	806,553	1,935,633
TOTAL FINANCIAL ASSETS	50,201,395	2,350,681	2,109,776	54,661,852
FINANCIAL LIABILITIES				
Loans received from related parties	16,064,837	-	-	16,064,837
Securities repurchase agreement obligations	14,472,756	-	-	14,472,756
Other financial liabilities	105,716	1,948	-	107,664
TOTAL FINANCIAL LIABILITIES	30,643,309	1,948	-	30,645,257
NET POSITION	19,558,086	2,348,733	2,109,776	24,016,595

Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Republic of Kazakhstan	OECD Countries	Non-OECD Countries	31 December 2021 Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,949,294	-	-	1,949,294
Financial assets at fair value through profit or loss	43,633,193	1,733,096	4,312,312	49,678,601
Financial assets at fair value through other comprehensive income	4,550,899	-	-	4,550,899
Accounts receivable	1,696,686	79	1,334	1,698,099
TOTAL FINANCIAL ASSETS	51,830,072	1,733,175	4,313,646	57,876,893
FINANCIAL LIABILITIES				
Loans received from related parties	17,017,590	-	-	17,017,590
Securities repurchase agreement obligations	14,198,991	-	-	14,198,991
Other financial liabilities	116,937	-	-	116,937
TOTAL FINANCIAL LIABILITIES	31,333,518	-	-	31,333,518
NET POSITION	20,496,554	1,733,175	4,313,646	26,543,375

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Investment Committee controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimisation.

In order to manage liquidity risk, the Company performs daily monitoring of future expected cash flows on clients' and other operations, which is a part of assets/liabilities management process.

Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	Up to 1 month	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2022 Total
FINANCIAL ASSETS					
Cash and cash equivalents	960,860	-	-	-	960,860
Financial assets at fair value through profit or loss	36,344,041	-	-	-	36,344,041
Financial assets at fair value through other comprehensive income	-	1,319,387	1,931,291	1,096,461	4,347,139
Total interest-bearing financial assets	37,304,901	1,319,387	1,931,291	1,096,461	41,652,040
Cash and cash equivalents	357,883	-	-	-	357,883
Financial assets at fair value through profit or loss	10,716,297	-	-	-	10,716,297
Accounts receivable	1,118,056	817,577	-	-	1,935,633
Total financial assets	49,497,137	2,136,964	1,931,291	1,096,461	54,661,853
FINANCIAL LIABILITIES					
Loans received from related parties	-	4,416,247	11,648,590	-	16,064,837
Securities repurchase agreement obligations	14,472,756	-	-	-	14,472,756
Total interest-bearing financial liabilities	14,472,756	4,416,247	11,648,590	-	30,537,593
Other financial liabilities	107,664	-	-	-	107,664
Total financial liabilities	14,580,420	4,416,247	11,648,590	-	30,645,257
Liquidity gap	34,916,717	(2,279,283)	(9,717,299)	1,096,461	24,016,596
Interest sensitivity gap	22,832,145	(3,096,860)	(9,717,299)	1,096,461	11,114,447
Cumulative interest sensitivity gap	22,832,145	19,735,285	10,017,986	11,114,447	
Cumulative interest sensitivity gap as a percentage of total financial assets	42%	36%	18%	20%	

Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of *Kazakhstani Tenge*)

	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
FINANCIAL ASSETS						
Cash and cash equivalents	-	-	-	-	-	-
Financial assets at fair value through profit or loss	43,418,903	-	-	-	-	43,418,903
Financial assets at fair value through other comprehensive income	-	-	-	3,376,502	1,174,397	4,550,899
Total interest bearing financial assets	43,418,903	-	-	3,376,502	1,174,397	47,969,802
Cash and cash equivalents	1,949,294	-	-	-	-	1,949,294
Financial assets at fair value through profit or loss	6,259,698	-	-	-	-	6,259,698
Accounts receivable	1,691,748	-	6,000	351	-	1,698,099
Total financial assets	53,319,643	-	6,000	3,376,853	1,174,397	57,876,893
FINANCIAL LIABILITIES						
Loans received from related parties	-	2,416,518	13,088,307	1,512,765	-	17,017,590
Securities repurchase agreement obligations	14,198,991	-	-	-	-	14,198,991
Total interest bearing financial liabilities	14,198,991	2,416,518	13,088,307	1,512,765	-	31,216,581
Other financial liabilities	116,937	-	-	-	-	116,937
Total financial liabilities	14,315,928	2,416,518	13,088,307	1,512,765	-	31,333,518
Liquidity gap	39,003,715	(2,416,518)	(13,082,307)	1,864,088	1,174,397	26,543,375
Interest sensitivity gap	29,219,912	(2,416,518)	(13,088,307)	1,863,737	1,174,397	16,753,221
Cumulative interest sensitivity gap	29,219,912	26,803,394	13,715,087	15,578,824	16,753,221	
Cumulative interest sensitivity gap as a percentage of total financial assets	66%	60%	31%	35%	38%	

Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

There is no significant difference between the discounted and undiscounted amount of financial liabilities as majority of financial liabilities are of short-term nature, except for loans received from related party for which the difference between the discounted and undiscounted amount as at 31 December 2022 and 2021 amounted to KZT 256,015 thousand and KZT 134,241 thousand, respectively.

As of 31 December 2022 and 2021, financial assets at fair value through profit or loss were categorized as "Up to 1 month" not based on the maturity of financial instruments, as Management believes that those securities can be sold in short period of time if needed.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. In 2022, there have been no significant changes as to the way the Company measures risk or to the risk it is exposed.

The Investment Committee manages interest rate and market risks by matching the Company's interest rate position, which provides the Company with a positive interest margin. The Management Board conducts monitoring of the Company's current financial performance, estimates the Company's sensitivity to changes in interest rates and its influence on the Company's profitability.

The Company's management monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate risk

The Company manages interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

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

Impact from financial assets at fair value on profit or loss and on equity:

	31 December 2022		31 December 2021	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Assets:				
Financial assets at fair value through profit or loss	(4,170,864)	5,457,744	(4,790,312)	6,874,562
Net impact on profit or loss and on equity	(4,170,864)	5,457,744	(4,790,312)	6,874,562

Joint Stock Company Subsidiary Organization of Halyk Bank of Kazakhstan Halyk Finance

Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

Impact from financial assets at fair value through other comprehensive income on equity:

	31 December 2022		31 December 2021	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Assets:				
Financial assets at fair value through other comprehensive income	(346,008)	418,626	(461,557)	573,406
Net impact on equity	(346,008)	418,626	(461,557)	573,406

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows.

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

	Kazakhstani tenge	USD 1= KZT 462.65	Other currencies	31 December 2022 Total
Financial assets				
Cash and cash equivalents	1,022,852	274,185	21,706	1,318,743
Financial assets at fair value through profit or loss (less equity securities)	30,792,183	5,545,396	243,563	36,581,142
Financial assets at fair value through other comprehensive income	4,273,914	73,225	-	4,347,139
Accounts receivable	1,028,002	103,961	803,670	1,935,633
Total financial assets	37,116,951	5,996,767	1,068,939	44,182,657
Financial liabilities				
Loans received from related parties	2,543,144	13,521,693	-	16,064,837
Securities repurchase agreement obligations	14,472,756	-	-	14,472,756
Other financial liabilities	107,664	-	-	107,664
Total financial liabilities	17,123,564	13,521,693	-	30,645,257
OPEN BALANCE SHEET POSITION	19,993,387	(7,524,926)	1,068,939	

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

	KZT	USD 1= KZT431.80	Other currencies	31 December 2021 Total
Financial assets				
Cash and cash equivalents	57,591	1,891,703	-	1,949,294
Financial assets at fair value through profit or loss (less equity securities)	31,359,599	3,878,650	8,180,654	43,418,903
Financial assets at fair value through other comprehensive income	4,444,342	106,557	-	4,550,899
Accounts receivable	1,697,878	221	-	1,698,099
Total financial assets	37,559,410	5,877,131	8,180,654	51,617,195
Financial liabilities				
Loans received from related parties	13,752,042	3,265,548	-	17,017,590
Securities repurchase agreement obligations	14,198,991	-	-	14,198,991
Other financial liabilities	116,937	-	-	116,937
Total financial liabilities	28,067,970	3,265,548	-	31,333,518
OPEN BALANCE SHEET POSITION	9,491,440	2,611,583	8,180,654	

Currency risk sensitivity

The following table details the Company's sensitivity to increase and decrease in the KZT against USD. The sensitivity analysis includes only foreign currency amounts outstanding at the end of the period and adjusts their translation at the period end for a 15% change in foreign currency rates. As at 31 December 2022 and 2021, the Company's Management believes that 15% is a possible movement in the exchange rate.

Impact on profit or loss before income tax and equity based on asset values as at 31 December 2022 and 2021:

	As at 31 December 2022		As at 31 December 2021	
	KZT/USD 15+%	KZT/USD -15%	KZT/USD +15%	KZT/USD -15%
Impact on equity	(169,311)	169,311	58,761	(58,761)
Impact on profit or loss and equity	(1,128,739)	1,128,739	391,737	(391,737)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

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Notes to the Financial Statements (continued) for the Year Ended 31 December 2022 (in thousands of Kazakhstani Tenge)

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risk

The Company follows a number of principles in its investment policies: it makes investments from which it expects an appropriate return, and ensures that they offer a high degree of security. Sufficient liquidity is also important at all times coupled with a targeted diversification in terms of type of investment.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

24. Subsequent events

At the date of signing of these financial statements, there were no significant events that Management would have identified as requiring additional disclosure.