DAMU
ENTREPRENEURSHIP DEVELOPMENT FUND

Damu Entrepreneurship Development Fund JSC

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2022

Contents

Independent Auditor's Report

To the Shareholder and the Board of Directors of Damu Entrepreneurship Development Fund JSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Damu Entrepreneurship Development Fund JSC (the "Fund") as at 31 December 2022, and the Fund's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

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

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Our audit approach

Overview

Materiality	• Overall Fund materiality: 2,137,000 thousand of Kazakhstani Tenge, which represents 0.5% of total assets as at 31 December 2022.
Key audit matters	• Assessment of expected credit losses provision for due from financial institutions and financial guarantees made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall Fund materiality	Tenge 2,137,000 thousand
How we determined it	0.5% of total assets as of 31 December 2022
Rationale for the materiality benchmark applied	The Fund is a state-owned development institution. The strategic directions of the Fund are support and development of start-up and active entrepreneurs, and sustainable institutional development of the Fund. Profitability is not a primary objective of the Fund and its management. Thus, we concluded that, the most appropriate benchmark for determination of materiality is total assets. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses provision for due from financial institutions and financial guarantees made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9) We focused on this area due to the size of due from financial institutions balances and financial guarantees amount and because IFRS 9 is a complex financial reporting standard, which requires management to apply significant judgment to determine the ECL provision. The Fund performed ECL assessment on an individual basis and on a portfolio basis. The credit risk parameters (e.g. probability of default, loss given default) applied during the process of ECL calculations were based on external ratings. Key areas of judgment included: • Allocation of loans and financial guarantees to stages in accordance with IFRS 9; • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default; • Completeness and accuracy of data used to calculate the ECL;	In assessing ECL provision we have performed, among other audit procedures, the following: • We assessed the methodologies and models for ECL provision assessment developed by the Fund in order to evaluate their compliance with IFRS 9 requirements and considered their consistency with the models applied in the prior year. We focused our procedures on: default definition, factors for determining a "significant increase in credit risk", allocation of due from financial institutions and financial guarantees to stages, and estimation of key risk parameters. • For due from financial institutions, on a sample basis, we performed an individual assessment of the ECL provision levels to determine if they were reasonable considering the risk profile, credit risk and the macroeconomic environment. This involved analysis of financial performance and compliance with prudential norms, inspection of official news and various monitoring and risk management reports. • On a sample basis we assessed reasonability of application of parent rating for those borrowers where no external ratings are present, as well as determining the credit rating based on the counterparty's financial performance in the absence of the external credit rating. • To verify data quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data. We considered data such as the amount of debt at the reporting date, repayment schedules, external credit ratings, payment discipline, macroeconomic indicators.

Key audit matter	How our audit addressed the key audit matter
• Accuracy and adequacy of the financial statement disclosures. Refer to the Notes 4, 8, 9, 27 and 28 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on due from financial institutions and financial guarantees.	• For financial guarantees, we performed collective assessment, which involved: - Staging assessment of financial guarantees based on the criteria identified in the methodology of the Fund, such as days past due and restructurings. - Assessment of models used by the Fund to estimate probability of default and loss given default using historical data on defaults and recoveries. - On a sample basis validated input data used in the ECL models: days past due, restructurings, amounts paid out on guarantees and subsequently recovered from end borrowers, macroparameters used to adjust probability of default. - Performance of look-back procedures, comparison of changes in ECL reserves for financial guarantees and actual payments on financial guarantees. • We checked that the disclosures for ECL and credit risk were prepared in accordance with IFRS 7 and IFRS 9 requirements.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which 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 will not express any form of assurance conclusion thereon.

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

When we read 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund'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 scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund'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 Fund to cease to continue as a going concern.

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

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

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

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

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

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Svetlana Belokurova
Auditor in charge
(Qualified Auditor's Certificate №0000357 dated 21 February 1998)

28 February 2023

Almaty, Kazakhstan

In thousands of Kazakhstani Tenge	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	7	182,037,345	76,882,383
Due from financial institutions	8	214,943,399	239,303,960
Due from subsidy programs		183,681	77,899
Loans and advances to customers	9	2,600,024	252,248
Investments in debt securities	10	19,329,708	47,001,624
Premises and equipment	11	2,324,753	2,121,829
Intangible assets		324,883	267,623
Current income tax prepayment	24	633,394	3,357,383
Deferred tax asset	24	-	3,132,896
Non-current assets held for sale		39,262	153,173
Other assets	12	5,064,529	4,975,966
TOTAL ASSETS		**427,480,978**	**377,526,984**
LIABILITIES			
Borrowed funds	13	167,974,375	169,302,529
Debt securities in issue	14	1,244,178	1,244,178
Liabilities on subsidy programs	15	4,913,288	7,792,965
Deferred tax liability	24	1,835,530	-
Deferred income and provision for credit related commitments	16	75,349,867	56,861,826
Other liabilities	17	1,174,872	976,702
TOTAL LIABILITIES		**252,492,110**	**236,178,200**
EQUITY			
Share capital	18	102,920,273	102,920,273
Additional paid-in-capital		10,735,627	10,735,627
Revaluation reserve for investment securities at fair value through other comprehensive income		(771,353)	26,956
Other reserves		316,430	316,430
Retained earnings		61,787,891	27,349,498
TOTAL EQUITY		**174,988,868**	**141,348,784**
TOTAL LIABILITIES AND EQUITY		**427,480,978**	**377,526,984**

Approved for issue and signed on behalf of the Management Board on 28 February 2023.

Ms. Gaukhar Buribayeva
Chairman of the Management Board

Ms. Aigul Kusaiynova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2022	2021
Interest income calculated using the effective interest method	19	35,526,551	25,416,244
Other interest income	19	25,276	119,025
Interest expense	19	(7,818,871)	(7,286,057)
Interest income, net		**27,732,956**	**18,249,212**
(Creation)/Recovery of credit loss allowance for loans and advances to customers and amounts due from financial institutions	8, 9	(4,191,497)	1,418,073
Net interest income after credit loss allowance for loans and advances to customers and amounts due from financial institutions		**23,541,459**	**19,667,285**
Net fee and commission income	20	24,853,961	17,479,186
Gains less losses on derecognition of financial assets measured at amortised cost	21	32,793,975	6,544,684
Gains less losses from securities at fair value through profit or loss		12,497	75,345
Gains less losses from trading in foreign currencies		(105)	(167)
Foreign exchange translation gains less losses		384,190	80,492
Net loss on initial recognition of financial instruments at rates below market	22	(3,267,258)	(10,856,707)
Impairment of debt securities		(936,400)	(12,412)
Impairment of other assets	12	66,660	(86,753)
(Provision)/Recovery for credit related commitments	28	(6,388,865)	3,377,843
Net other operating income		164,704	128,790
Expenses for realisation of Fund's programs	23	(1,219,306)	(862,405)
General and administrative expenses	23	(5,563,952)	(4,955,574)
Profit before tax		**64,441,560**	**30,579,607**
Income tax expense	24	(12,481,494)	(5,548,645)
PROFIT FOR THE YEAR		**51,960,066**	**25,030,962**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Investment securities at fair value through other comprehensive income: Losses less gains arising during the year		(798,309)	(20,625)
Other comprehensive loss for the year		**(798,309)**	**(20,625)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**51,161,757**	**25,010,337**

Profit and total comprehensive income for both periods are fully attributable to the Fund's shareholder.

In thousands of Kazakhstani Tenge	**Share capital**	**Additional paid-in-capital**	**Revaluation reserve for investment securities at fair value through other comprehensive income**	**Other reserves**	**Retained earnings/ (Accumulated deficit)**	**Total**
Balance at 1 January 2021	**102,920,273**	**10,735,627**	**47,581**	**316,430**	**5,652,551**	**119,672,462**
Profit for the year	-	-	-	-	25,030,962	25,030,962
Other comprehensive loss	-	-	(20,625)	-	-	(20,625)
Total comprehensive income for the year	-	-	(20,625)	-	25,030,962	25,010,337
Dividends declared					(3,334,015)	(3,334,015)
Balance at 31 December 2021	**102,920,273**	**10,735,627**	**26,956**	**316,430**	**27,349,498**	**141,348,784**
Profit for the year	-	-	-	-	51,960,066	51,960,066
Other comprehensive loss	-	-	(798,309)	-	-	(798,309)
Total comprehensive income for the year	-	-	(798,309)	-	51,960,066	51,161,757
Dividends declared	-	-	-	-	(17,521,673)	**(17,521,673)**
Balance at 31 December 2022	**102,920,273**	**10,735,627**	**(771,353)**	**316,430**	**61,787,891**	**174,988,868**

In thousands of Kazakhstani Tenge	Note	2022	2021
Cash flows from operating activities			
Interest received		27,582,539	16,888,252
Interest paid		(1,527,789)	(1,410,972)
Fees and commissions received		36,748,547	40,834,291
Fees and commissions paid		(133,820)	(90,516)
Other operating income received		147,552	126,269
Staff costs paid		(2,858,295)	(2,433,556)
Administrative and other operating expenses paid		(3,344,077)	(2,812,941)
Income taxes paid		(3,003,272)	-
Cash flows from operating activities before changes in operating assets and liabilities		**53,611,385**	**51,100,827**
(Net increase)/decrease in:			
- due from financial institutions		45,530,608	(8,393,327)
- loans and advances to customers		6,096,677	32,148
- other financial assets		(4,372,601)	(2,268,440)
- other assets		48,876	41,753
Net increase/(decrease) in:			
- other financial liabilities (liabilities on subsidy programs)		1,308,823	(14,062,078)
- other liabilities		(91,633)	13,605
Net cash from operating activities		**102,132,135**	**26,464,488**
Cash flows from investing activities			
Acquisition of investment securities		(18,880,610)	(94,711,385)
Proceeds from disposal and redemption of investment securities		47,182,629	72,589,544
Acquisition premises and equipment		(146,073)	(71,365)
Acquisition of intangible assets		(123,472)	(96,438)
Proceeds from disposal of premises and equipment		249,585	489,672
Net cash from/(used in) investing activities		**28,282,059**	**(21,799,972)**
Cash flows from financing activities			
Proceeds from borrowed funds		4,366,600	1,130,000
Repayment of borrowed funds		(11,987,102)	(13,491,612)
Proceeds from debt securities in issue		-	1,000,000
Repayment of long-term lease		(184,340)	(166,052)
Share issue		-	-
Dividends paid		(17,521,673)	(3,334,015)
Net cash used in financing activities		**(25,326,515)**	**(14,861,679)**
Effect of exchange rate changes on cash and cash equivalents		(1,209)	(449)
Effect of changes in the allowance for impairment on cash and cash equivalents		68,492	(71,271)
Net increase/(decrease) in cash and cash equivalents		**105,154,962**	**(10,268,883)**
Cash and cash equivalents at the beginning of the year	7	76,882,383	87,151,266
Cash and cash equivalents at the end of the year	7	**182,037,345**	**76,882,383**

1 Introduction

Damu Entrepreneurship Development Fund JSC (the "Fund") was established in pursuance of Decree of the Government of the Republic of Kazakhstan No. 665 dated 26 April 1997. The Fund is incorporated and domiciled in the Republic of Kazakhstan as a joint stock company and provides financial services as a development institution to support development of small and medium size enterprises.

As at 31 December 2022 and 2021, the Fund is under 100% ownership of the "Baiterek" National Managing Holding JSC (the "Parent" or "Sole Shareholder"). The Fund is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is disclosed in Note 31.

Principal activity

The main activity of the Fund is financing within the framework of lending programs through second-tier banks, microfinance organizations and leasing companies, subsidizing interest rates, guaranteeing, consulting support, distribution of information and analytical materials. The Fund uses its own and borrowed funds to finance small and medium-sized businesses in Kazakhstan.

The Fund has 20 regional branches. The head office is located in Almaty, Kazakhstan. The Fund had 398 employees at 31 December 2022 (2021: 361 employees).

Registered address and place of business

The Fund's registered address is: 111 Gogol Street, Almaty, Kazakhstan.

Presentation currency

These financial statements are presented in Kazakhstani Tenge, unless otherwise stated.

2 Operating Environment of the Fund

Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of these financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 449.14 per US Dollar 1 compared to Tenge 462.65 per US Dollar 1 as at 31 December 2022. Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2022, the international rating agency S&P Global Ratings confirmed the sovereign rating of Kazakhstan at BBB-. The credit rating outlook was downgraded to "negative" as a result of growing external and financial risks. Fitch has affirmed Kazakhstan's long-term rating as 'BBB' with a 'stable' outlook. The stable outlook is supported by the government's strong fiscal and external balance sheets, fiscal flexibility backed by accumulated savings from oil revenues, a net financial creditor position, and measures implemented by the Government of the Republic of Kazakhstan.

Additionally, financial sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Fund's control. Note 4 provides additional information on how the Fund incorporates forward-looking information into the expected credit loss model.

2 Operating Environment of the Fund (continued)

For the purpose of measurement of expected credit losses ("ECL") the Fund uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a new type of coronavirus COVID-19 a pandemic. In response to the pandemic, Kazakhstani authorities have taken a range of measures to contain the spread and mitigate the impact of COVID-19, such as travel bans and restrictions, quarantines, self-isolation, and restrictions on commercial activities, including business closures. Most of the above measures have since been relaxed, but as of December 31, 2022, there is still a risk that government agencies may impose additional restrictions in 2023 in response to possible new strains of the virus.

January 2022 events in Kazakhstan

On 2 January 2022, rallies of the population began in the Mangistau region, caused by an increase in prices for automobile gas, which then spread to other regions of Kazakhstan. During the rallies, a number of socio-economic and political demands were put forward. Despite the fact that the Government took a set of specific measures in response to the demands of the population, including to reduce gas prices, later the rallies turned into mass riots with the seizure of buildings of akimats and law enforcement agencies. The main events unfolded in Almaty and the southern regions of the country.

In this regard, on 5 January 2022, a state of emergency was introduced in the country until January 19, 2022, restrictions were imposed on communications, as well as the movement of citizens and transport, including rail and air travel.

On 10 January 2022, the Order of the Chairman of the Agency of the Republic of Kazakhstan for the regulation and development of the financial market "On measures to support individuals and legal entities affected by the introduction of a state of emergency" was issued, under which individuals and legal entities affected by the introduction of a state of emergency were provided with deferral of loan payments.

Currently, the situation has stabilized in all regions of the country, the state of emergency has been lifted. The work of communal facilities and life support systems has been restored, restrictions on communications, as well as the movement of citizens and transport, have been lifted.

War between Russia and Ukraine

On 21 February 2022, the President of Russia announced the recognition of the Luhansk and Donetsk People's Republics, and on February 24 sent military mobilized troops to the territory of Ukraine. In response to Russia's actions, the United States of America, the European Union and several other countries have imposed sanctions against Russia, including cutting off a number of Russian financial institutions from SWIFT. Russia is Kazakhstan's largest trading partner, accounting for up to 40% of non-oil exports, and is a key trade transit, in particular through the Caspian Pipeline Consortium (CPC), which allows the export of up to 80% of Kazakhstani crude oil. The Kazakh authorities are considering alternative routes to the Caspian Sea, including through Azerbaijan, Georgia and Turkey, but these will require significant investment in additional infrastructure, and the replacement of the CPC route will take many years.

As a result of the conflict between Russia and Ukraine and its aftermath, the tenge exchange rate has become more volatile, with inflation reaching almost 20% in December 2022. To date, the National Bank of the Republic of Kazakhstan has taken a number of measures to maintain the stability of the financial system of Kazakhstan.

The sanctions imposed on Russia also affected the subsidiaries of Russian banks operating in Kazakhstan. As at 1 January 2022, the amount of funds in these financial institutions, which is the sum of principal, accrued interest, fines and penalties, was Tenge 112,071,724 thousand. During 2022, the Fund took measures to significantly reduce placements in these banks, including requiring early repayments, accepting loan portfolios of these banks under assignment agreements, and transferring the debt of these banks to other banks in Kazakhstan.

As at 31 December 2022, the Fund's assets in these banks are limited to investments in debt securities at fair value through other comprehensive income issued by one of these banks with a par value of Tenge 1,000,000 thousand and an accrued coupon of Tenge 18,750 thousand. The Fund determined the fair value of these securities to be nil at the reporting date and recognized an impairment loss for these securities in the statement of profit or loss.

2 Operating Environment of the Fund (continued)

On 2 September 2022, it was announced that Baiterek National Managing Holding bought the entire block of shares of the Subsidiary Bank of Sberbank JSC in Kazakhstan. On September 12, 2022, it was decided to rename the bank to Bereke Bank JSC.

On 6 May 2022, Bank CenterCredit closed the deal to acquire 100% of the ordinary shares of SB Alfa-Bank JSC and rename the bank to Eco Center Bank JSC. On July 14, 2022, Eco Center Bank withdrew from the SDN List. On 3 August, a decision was made on voluntary reorganization by merging Eco Center Bank with Bank CenterCredit. On September 5, the termination of the activities of Eco Center Bank in connection with the reorganization and its merger with Bank CenterCredit was approved.

3 Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments – key measurement terms

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Fund: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 29).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3 Summary of Significant Accounting Policies (continued)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Fund commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Fund classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Fund's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Fund manages the assets in order to generate cash flows – whether the Fund's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Fund undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Fund in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Fund in determining the business models for its financial assets.

3 Summary of Significant Accounting Policies (continued)

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Fund assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Fund in performing the SPPI test for its financial assets.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Fund assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Fund measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Fund applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Fund identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 27 for a description of how the Fund determines when a SICR has occurred. If the Fund determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Fund's definition of credit impaired assets and definition of default is explained in Note 27. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Fund incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Fund exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Fund may write-off financial assets that are still subject to enforcement activity when the Fund seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Fund has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

3 Summary of Significant Accounting Policies (continued)

Financial assets – modification

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Fund derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Fund also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Fund compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Fund recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

3 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Fund, including amounts charged or credited to current accounts of the Fund's counterparties held with the Fund, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from other banks

Amounts due from other banks are recorded when the Fund advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Fund classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Fund may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers

Loans and advances to customers are recorded when the Fund advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Fund classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL. Impairment allowances are determined based on the forward-looking ECL models. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Fund incorporates forward-looking information in the ECL models.

Loan commitments

The Fund issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Fund cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

3 Summary of Significant Accounting Policies (continued)

Financial guarantees

Financial guarantees require the Fund to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Fund has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Sale and repurchase agreements and lending of securities

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or repledge the securities. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Fund, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Fund classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, and FVTPL.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3 Summary of Significant Accounting Policies (continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation

Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	up to 100 years
Computers, equipment and fixtures and fittings	up to 10 years
Vehicles	up to 7 years
Other	up to 10 years

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets

The Fund's intangible assets have definite useful life and primarily comprise capitalised computer software or off-the-shelf-software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Fund are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight-line basis over expected useful lives up to 5 years.

Accounting for leases by the Fund as a lessee

The Fund leases land, office premises, equipment and cars. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Fund. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis (Note 5).

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments under long-term leases of land based on cadastral value of land are treated as variable lease payments that are not based on an index or a rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

3 Summary of Significant Accounting Policies (continued)

As an exception to the above, the Fund accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

In determining the lease term, management of the Fund considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Borrowed funds

Borrowings are recorded when money or other assets are advanced to the Fund by counterparties. The non-derivative liability is carried at amortised cost. If the Fund purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

When receiving borrowings from a shareholder, the Fund determines the fair value of the borrowings and recognises the difference between the fair value and the cash received. This difference is recognized in the income statement or in the Fund's equity, depending on the purpose of the funds received. Note 4 provides estimates and professional judgment in determining this classification.

Debt securities in issue

Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Fund. Debt securities are stated at AC. If the Fund purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Subsidy programs

Subsidies represent the financing by Government of Kazakhstan or representative body for the purposes of various government programs. Fund acts as an agent in connection with subsidy programs. Financing received from the Government are recognised as liabilities on subsidy programs upon receiving of funding. These funds are placed with local commercial banks as a payment for governmentally subsidized projects. When Fund transfers its own financing to with local commercial banks before receiving of government financing, the payment is recorded as due from subsidy programs.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative.

Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Fund does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (continued)

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Fund.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions

The Fund's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Fund are the basis for profit distribution and other appropriations. Kazakhstani legislation identifies the basis of distribution as the current year net profit.

3 Summary of Significant Accounting Policies (continued)

Interest income and expense recognition

Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Fund to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Fund does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income

Fee and commission income are recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Fund's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income are recognised at a point in time when the Fund satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received, or receivable represents the transaction price for the services identified as distinct performance obligations.

Foreign currency translation

The functional currency of the Fund is the currency of the primary economic environment in which the entity operates. The Fund's functional and presentation currency is the national currency of the Republic of Kazakhstan, Tenge.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of profit and loss and other comprehensive income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currencies are translated into Tenge using official exchange rate of the NBRK at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the official exchange rate of the NBRK at the transaction date. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Resulting foreign exchange gains and losses are reported on a net basis in the statement of profit and loss and other comprehensive income.

At 31 December 2022, the official rate of exchange used for translating foreign currency balances was the US Dollar (USD) 1 per 462.65 Tenge (31 December 2021: US Dollar 1 per Tenge 431.80). On 20 August 2015, the Government of the Kazakhstan jointly with the National Bank of Republic of Kazakhstan cancelled the currency corridor and switched to a free-floating exchange rate of Tenge.

Staff costs and related contributions

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Fund. The Fund incurs no pension expenses. In accordance with the law in Kazakhstan, the Fund withholds pension contributions from salaries of the employees and transfers them to the state pension fund. When the employees retire, they receive payments from the pension fund.

3 Summary of Significant Accounting Policies (continued)

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Fund's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 27 for analysis of financial instruments by expected maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 27.

	31 December 2022			31 December 2021		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Kazakhstani Tenge	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS						
Income tax prepayment	570,055	63,339	633,394	3,021,645	335,738	3,357,383
Deferred income tax asset	-	-	-	639,698	2,493,198	3,132,896
Intangible assets	143,542	181,341	324,883	125,022	142,601	267,623
Premises and equipment	430,603	1,894,150	2,324,753	245,446	1,876,383	2,121,829
Other assets	4,851,328	-	4,851,328	4,868,514	-	4,868,514
Non-current assets held for sale	39,262	-	39,262	153,173	-	153,173
LIABILITIES						
Deferred tax liabilities	1,835,530	-	1,835,530			
Other liabilities	573,968	-	573,968	519,013	-	519,013

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Fund makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 27. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Fund regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

In 2022 and 2021, the Fund did not conduct an analysis of macroeconomic variables on loans issued by financial institutions. This is since macroeconomic variables have not an impact on the probability of default of financial institutions; therefore, macroeconomic factors were considered at the level of 100% (which indicates the absence of influence). For loans and advances, the Fund did not analyse the impact of macroeconomic variables due to the insignificance of the portfolio relative to the assets of the Fund.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Sensitivity analysis for due from financial institutions

A 10% increase or decrease in PD estimates would result in an increase or decrease in total expected credit loss allowances of Tenge 982,234 thousand at 31 December 2022 (31 December 2021: increase or decrease of Tenge 759,016 thousand).

Significant increase in credit risk ("SICR")

In order to determine whether there has been a significant increase in credit risk, the Fund compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Fund considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Fund identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level (Note 27).

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by Tenge 11,039,104 thousand as of 31 December 2022 (31 December 2021: higher by Tenge 17,082,621 thousand).

Initial recognition of financial instruments issued at rates below market and related party transactions

In the normal course of business, the Fund enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 31.

In 2014-2015, the Fund received borrowed funds from "NMH Baiterek" JSC in amount Tenge 200 billion at a rate 0.15% for a twenty-year term. Management applied its judgment in determining market rate, using yield to maturity of government bonds further extrapolated for twenty years using linear regression. The Fund's management determined the following effective rates for these funds: the first tranche for 100 billion tenge - 6.58%, the second tranche for 50 billion tenge - 6.57%, the third tranche for 50 billion tenge - 6.71%. The Fund recognized this transaction as a government grant under IAS 20 and recognized income on initial recognition of borrowings at below market rates in the statement of profit or loss.

In 2014-2015, the borrowings received in the amount of Tenge 200 billion were fully placed in commercial banks at 2% per annum with a maturity of 20 years. In assessing the fair value of loans issued to banks, the management of the Fund used the specific credit risks of each bank, based on the Credit Default Spread for each credit rating. The Credit

Default Spread was adjusted for the annual base rate derived from the yield curve for 10-year government bonds extrapolated for 20 years.

In August 2022, the Fund placed a deposit in a second-tier Kazakh bank in the amount of 50 billion tenge with a maturity of more than one year. The Fund has the right to make early withdrawals from this deposit for any amount in excess of the minimum balance of 1 million tenge. The Fund has determined the business model for this deposit as "hold to collect" and has conducted an SPPI test, as a result of which the deposit is carried at amortized cost. When calculating the fair value of this deposit, the Fund took into account the early withdrawal option, as a result of which the fair value of the deposit was estimated to be approximately equal to its nominal value. As a result, the Fund did not recognize any gain or loss on the recognition of this deposit.

During 2022, the Fund recognized a net loss on initial recognition of loans and advances to customers accepted by the Fund under assignment agreements in the amount of KZT 1,820,575 thousand. The Fund determined the market rates for these loans, depending on the maturity of the loans, from 15.9% to 17.3%. The Fund also recognized a net loss on initial recognition of funds in financial institutions at below market rates in the amount of Tenge 1,446,683 thousand. The nominal rate of these loans is 2%, the market rate according to the Fund's estimate was 16.95% - 16.98% (Notes 8 and 22).

The application of effective interest rates to the cost of loans to banks resulted in the recognition of an expense on initial recognition in the statement of profit or loss.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

In 2019, the Fund received borrowed funds from "NMH Baiterek" JSC in amount Tenge 16 billion at a rate 0.1% for fifteen years term. The Fund received this loan to repay earlier issued securities. Management calculated the market rate on the level of 10.65%, including the exchange risk, maturity of the loan and credit risk for the Fund.

Fair value of guarantees issued

As part of the support programs for small and medium-sized businesses, the Fund provides guarantees to small and medium-sized businesses, covering up to 85% of the loan amount. As at 31 December 2022, the amount of guarantees issued was Tenge 379,112,302 thousand (31 December 2021: Tenge 280,534,620 thousand). To calculate expected credit losses on financial guarantees, the Fund determines the probability of default using migration matrices based on the number of days past due. When compiling migration matrices, the Fund takes into account the industries in which borrowers who have received the Fund's guarantees operate and correlates default risks in these industries with macroeconomic indicators. The Fund uses the following macroeconomic indicators in this analysis:

- Brent oil price;
- USD/KZT exchange rate;
- Inflation rate;
- Unemployment rate;
- GDP growth.

On January 10, 2022, the Order of the Chairman of the Agency of the Republic of Kazakhstan for the regulation and development of the financial market "On measures to support individuals and legal entities affected by the introduction of a state of emergency" was issued, under which individuals and legal entities affected by the introduction of a state of emergency were provided with deferral of loan payments. Among the companies that requested such deferrals were small and medium-sized businesses, to which the Fund issued financial guarantees. The Fund assesses that such restructurings are indicative of a significant increase in credit risk, as a result of which these financial guarantees have been moved to stage 2 of the expected credit loss model. If, apart from the restructuring, other credit deterioration factors were present, the Fund included these guarantees in stage 3 of the expected credit loss model.

As at 31 December 2022, expected credit losses on guarantees issued to small and medium-sized businesses amounted to Tenge 33,925,140 thousand (31 December 2021: Tenge 25,316,033 thousand). Information on deferred income and provision for credit related commitments is presented in Note 16. Information on contingent liabilities, including an analysis of the credit quality of credit related commitments, is presented in Note 28.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Fund:

"Income received before the start of intended use", "Onerous contracts - Costs to fulfill a contract", "Reference to the Conceptual Framework" - amendments with a limited scope of application to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRSs 2018-2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022 dates).

- The amendment to IFRS 16 prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds received from the sale of items produced at the time the entity is preparing the asset for its intended use. The proceeds from the sale of such items, together with the costs of producing them, are now recognized in profit or loss. The entity will apply IAS 2 to measure the value of such items. The cost will not include depreciation of such a tested asset as it is not yet ready for its intended use. The amendment to IFRS 16 also clarifies that an entity "verifies the proper functioning of an asset" when it evaluates the technical and physical performance of that asset. The financial performance of this asset is irrelevant to this assessment. Thus, the asset may be operated in accordance with management's intentions and subject to depreciation before it reaches the level of operating efficiency expected by management.
- An amendment to IAS 37 clarifies the concept of 'costs to fulfill a contract'. The amendment explains that the direct costs of fulfilling a contract include the incremental costs of fulfilling that contract; and allocation of other costs directly attributable to the execution of contracts. The amendment also clarifies that, before creating a separate allowance for an onerous contract, an entity recognizes an impairment loss incurred on assets used to fulfill the contract rather than assets allocated to fulfill the contract.

5 Adoption of New or Revised Standards and Interpretations (continued)

- IFRS 3 has been amended to include a reference to the 2018 Framework for Financial Statements to determine what constitutes an asset or liability in a business combination. Prior to this amendment, IFRS 3 included a reference to the 2001 Conceptual Framework for Financial Reporting. In addition, IFRS 3 added a new exemption for liabilities and contingent liabilities. This exception provides that, for certain types of liabilities and contingent liabilities, an entity applying IFRS 3 must refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework for Financial Reporting. Without this new exemption, an entity would have to recognize some liabilities in a business combination that it would not recognize in accordance with IAS 37. Therefore, immediately after the acquisition, an entity would have to derecognise those assets and recognize income that does not reflect economic benefit. It was also clarified that the acquirer is not required to recognize contingent assets, defined in accordance with IAS 37, at the acquisition date.
- An amendment to IFRS 9 addresses the question of which payments should be included in the '10% test' to derecognise financial liabilities. Costs or payments may be made to third parties or the lender. Under this amendment, costs or payments to third parties will not be included in the 10% Test.
- Illustrative example 13 to IFRS 16 has been amended to remove the example of lessor payments relating to leasehold improvements. This amendment is made to avoid any potential misunderstanding regarding the accounting treatment for lease incentives.
- IFRS 1 allows an exemption if the subsidiary applies IFRS from a later date than the parent. A subsidiary may measure its assets and liabilities at the carrying amount at which they would have been included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, had no adjustments been made for the purposes of consolidation and to reflect the results of a business combination, under which the parent entity acquired the specified subsidiary. IFRS 1 has been amended to allow entities that have applied the exemption in IFRS 1 to also measure cumulative foreign exchange differences using the amounts recognized by the parent based on the parent's date of transition to IFRS. This amendment to IFRS 1 extends the above exemption to accumulated foreign exchange differences to reduce the cost to entities adopting IFRS for the first time. This amendment will also apply to associates and joint ventures that take advantage of the same exemption in IFRS 1.
- Removal of the requirement for entities to exclude cash flows for tax purposes when measuring fair value under IAS 41. This amendment is to comply with the standard's requirement to discount post-tax cash flows.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Fund has not early adopted.

Deferred tax on assets and liabilities arising from the same transaction – Amendments to IAS 12 (issued on 7 May 2021, effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and the accrual of decommissioning obligations. In certain circumstances, entities are exempt from recognizing deferred tax on initial recognition of assets or liabilities. Previously, there was uncertainty about the application of this exemption to transactions such as leases and decommissioning of assets, transactions for which both an asset and a liability are recognised. The amendments clarify that this exemption does not apply, and those entities are required to recognize deferred tax on such transactions. The amendments require entities to recognize deferred tax on transactions for which, on initial recognition, equal amounts of taxable and deductible temporary differences arise.

Classification of liabilities into current and non-current – Amendments to IAS 1 (issued on 23 January 2020, effective for annual periods beginning on or after 1 January 2022). These limited scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights exist at the end of the reporting period. Liabilities are long-term if the entity has a substantial right to defer settlement of their settlement by at least 12 months at the end of the reporting period. The Guide no longer contains a requirement that such a right must be unconditional. Management's expectations as to whether it will subsequently exercise its right to defer repayment does not affect the classification of liabilities. The right to defer repayment arises only if the entity satisfies all applicable conditions at the end of the period. A liability is classified as current if the condition is breached on or before the balance sheet date, even if at the end of the reporting period the creditor is released from the obligation to comply with the condition.

At the same time, a loan is classified as long-term if the terms of the loan agreement are violated only after the reporting date. In addition, the amendments clarify the classification requirements for debt that an entity can repay by converting it into equity. "Repayment" is defined as the termination of a liability through settlement in the form of cash, other resources embodying economic benefits, or the entity's own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

6 New Accounting Pronouncements (continued)

Classification of Liabilities as Current and Non-current – Delaying Effective Date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 1 regarding the classification of liabilities as current and non-current were issued in January 2020 with an initial effective date of 1 January 2022. However, due to the COVID-19 pandemic, the effective date has been pushed back by one year to give organizations more time to implement the classification-related changes resulting from the amendments.

Amendments to IAS 8: Determination of Accounting Estimates (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates.

Amendments to IAS 1 and IFRS Practice Guide 2: Accounting Policies Disclosures (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 has been amended to require entities to disclose material information about their accounting policies in lieu of major accounting policies. The amendments contain definitions of material information about accounting policies. In addition, the amendments clarify that information about accounting policies is expected to be material if, without it, users of financial statements are unable to understand other material information in the financial statements. The amendments provide examples of information about accounting policies that is likely to be considered material to an entity's financial statements. In addition, the amendment to IAS 1 clarifies that non-material accounting policies do not need to be disclosed. However, if such information is disclosed, it should not obscure significant accounting policy information. In support of this amendment, changes were also made to IFRS Practice Guide 2 Making Materiality Judgments, which provides guidance on applying the concept of materiality to disclosures about accounting policies.

IFRS 17 Insurance Contracts (issued on 18 May 2017, effective for annual periods beginning on or after 1 January 2021, the effective date was subsequently moved to 1 January 2023. Amendments to IFRS 17 as discussed below). IFRS 17 replaces IFRS 4, which allowed entities to apply existing accounting practices for insurance contracts, making it difficult for investors to compare the financial results of otherwise similar insurance companies. IFRS 17 is a single, principles-based standard for accounting for all types of insurance contracts, including reinsurance contracts, held by an insurer. Under this Standard, groups of insurance contracts must be recognized and measured at (i) the risk-adjusted present value of future cash flows (completion cash flows), which takes into account all available information about fulfillment cash flows consistent with observable market information to which is added (if the value is a liability) or subtracted from (if the value is an asset) (ii) the amount of retained earnings on a group of contracts (contract service margin). Insurers will report profit on a group of insurance contracts over the period they provide coverage and as they release risk. If a group of contracts is or becomes unprofitable, the entity will recognize the loss immediately.

Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications aimed at facilitating the implementation of IFRS 17 and simplifying certain requirements of the standard and transition. These amendments cover eight areas of IFRS 17 and do not change the underlying principles of the standard. The following amendments have been made to IFRS 17:

- *Effective date:* The effective date of IFRS 17 (as amended) has been deferred by two years. The standard should apply to annual reporting periods beginning on or after 1 January 2023. The temporary exemption from IFRS 9 established in IFRS 4 has also been extended to annual periods beginning on or after 1 January 2023.
- *Expected reimbursement of insurance acquisition cash flows:* Entities must allocate a portion of their acquisition costs to eligible contracts that are expected to be renewed and recognize such costs as assets until the entity recognizes a contract renewal. Entities should assess the likelihood of recovering an asset at each reporting date and present information about the specific asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services:* Units of coverage should be allocated, taking into account the amount of benefits and the expected period of both insurance coverage and investment services under contracts with variable payments and other contracts with services to generate investment income in accordance with the total model. Costs associated with investing activities should be included as cash flows within the boundary of an insurance contract when the entity undertakes such activities to enhance the benefits of coverage for the insured.
- *Purchased reinsurance contracts* – recovery of loss: When an entity recognizes a loss on initial recognition for an onerous group of underlying insurance contracts or for adding onerous underlying insurance contracts to a group, the entity should adjust the contractual service margin for that group of reinsurance contracts acquired and recognize a gain on those contracts. reinsurance. The amount of a loss recovered under a reinsurance contract is determined by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts that the entity expects to recover under the reinsurance contract acquired. This requirement will apply only if the acquired reinsurance contract is recognized before or simultaneously with the recognition of a loss on the underlying insurance contracts.

6 New Accounting Pronouncements (continued)

- *Other amendments:* other amendments include scope exemptions for certain credit card (or similar) agreements and for certain loan agreements; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than in groups; the applicability of the risk mitigation option to mitigate financial risks through acquired reinsurance contracts and non-derivative financial instruments at fair value through profit or loss; the choice of accounting policies for changing accounting estimates reported in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts attributable to a specific policyholder, under the terms of an insurance contract, into cash flows from the implementation of contracts; selective exemption during the transition period and other minor amendments.

Transition option for insurers in applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 provides an option for insurers to improve the usefulness of information for investors about the initial adoption of IFRS 17. The amendment concerns only the transition of insurers to IFRS 17 and does not affect any other requirements of IFRS 17 The transition requirements in IFRS 17 and IFRS 9 apply on different dates and will result in the following one-time differences in the classification of comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities being measured at present cost and any related financial assets carried at amortized cost, if an entity elects to restate comparative information for IFRS 9, classification differences between financial assets that are derecognised in the comparative period (to which IFRS 9 will not apply), and other financial assets (for which IFRS 9 will apply). The amendment will help insurers avoid these temporary accounting inconsistencies and therefore improve the value of comparative information for investors. Insurers are given the choice to provide comparative information about financial assets.

On initial application of IFRS 17, an entity will be able to apply a classification overlay for comparative presentation purposes to financial assets for which it will not restate comparative information in accordance with IFRS 9. The transition option may be applied on an instrument-by-instrument basis. The option would allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 were applied to that financial instrument but would not require an entity to apply the impairment requirements of IFRS 9. The option requires an entity that applies a classification imposition to a financial asset to use reliable and supportable information available at the date of transition to determine how the entity expects to classify that asset using IFRS 9.

Unless otherwise noted above, these new standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

7 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**31 December 2022**	**31 December 2021**
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	94,904,031	64,140,419
Current accounts with banks	34,547,136	10,452,112
Cash balances with the NBRK	52,589,572	2,361,621
Less: Expected credit losses	(3,394)	(71,769)
Total cash and cash equivalents	**182,037,345**	**76,882,383**

The Fund holds funds received to support development of Small and Medium Entrepreneurship through subsidization on current accounts with banks (Note 15).

During 2022, the Fund mainly managed temporarily free cash by entering into short-term reverse repurchase agreements, as the base rate of the NBK increased during the year, which allowed the Fund to enter into new agreements with higher rates.

7 Cash and Cash Equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2022:

In thousands of Kazakhstani Tenge	Current accounts with banks	Cash balances with the NBRK	Reverse repo	Total
Neither past due nor impaired				
- National Bank of the Republic of Kazakhstan	-	52,589,572	-	**52,589,572**
- BBB- to BBB+ rated	32,079,376	-	94,904,031	**126,983,407**
- BB- to BB+ rated	668,189	-	-	**668,189**
- B- to B+ rated	1,160,211	-	-	**1,160,211**
- Unrated	639,360	-	-	**639,360**
Total cash and cash equivalents, excluding cash on hand	**34,547,136**	**52,589,572**	**94,904,031**	**182,040,739**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2021:

In thousands of Kazakhstani Tenge	Current accounts with banks	Cash balances with the NBRK	Reverse repo	Total
Neither past due nor impaired				
- National Bank of the Republic of Kazakhstan	-	2,361,621	8,018,822	**10,380,443**
- BBB- to BBB+ rated	7,738,237	-	56,121,597	**63,859,834**
- BB- to BB+ rated	1,297,575	-	-	**1,297,575**
- B- to B+ rated	1,392,596	-	-	**1,392,596**
- Unrated	23,704	-	-	**23,704**
Total cash and cash equivalents, excluding cash on hand	**10,452,112**	**2,361,621**	**64,140,419**	**76,954,152**

The credit quality of reverse repo based on ratings of securities, which provided as collateral.

The credit ratings are based on Standard & Poor's ratings, where available, or Moody's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The following is an analysis of the change in the allowance for impairment of cash and cash equivalents during 2022:

In thousands of Kazakhstani Tenge	Current accounts with banks	Cash balances with the NBRK	Placements with other banks with original maturities of less than three months	Total
Excepted credit loss allowance as at 1 January 2022	**(71,769)**	-	-	**(71,769)**
Credit loss allowance charge during the year	68,492	-	-	68,492
Carryover of provisions due to reclassification of assets with 100 provisions	(117)	-	-	(117)
Excepted credit losses for cash and cash equivalents as at 31 December 2022	**(3,394)**	-	-	**(3,394)**

7 Cash and Cash Equivalents (continued)

The following is an analysis of the change in the allowance for impairment of cash and cash equivalents during 2021:

In thousands of Kazakhstani Tenge	Current accounts with banks	Cash balances with the NBRK	Placements with other banks with original maturities of less than three months	Total
Excepted credit loss allowance as at 1 January 2021	**(498)**	**-**	**-**	**(498)**
Credit loss allowance charge during the year	(71,271)	-	-	(71,271)
Excepted credit losses for cash and cash equivalents as at 31 December 2021	**(71,769)**	**-**	**-**	**(71,769)**

Refer to Note 29 for disclosure of the fair value of cash and cash equivalents. Interest rate analysis of cash and cash equivalents is disclosed in Note 27. Information on related party balances is disclosed in Note 31.

In 2022 and 2021, there were no investment and financial transactions that did not require the use of cash and cash equivalents and were not included in the cash flow statement.

8 Due from Financial Institutions

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Loans given to financial institutions	161,441,921	228,752,674
Loans given in the framework of the Islamic financing programs	16,053,869	16,125,258
Placements with other banks with original maturities of more than three months	50,090,033	5,133,863
Less: Credit loss allowance	(12,642,424)	(10,707,835)
Total due from financial institutions	**214,943,399**	**239,303,960**

During 2020-2022, general agreements on the sale of goods by instalments were concluded between the Fund and two Islamic finance organizations. According to the terms of these contracts for the sale of goods, the second party buys goods from the Fund in instalments. Given the specifics of Islamic finance, these transactions are accounted for in the Fund's financial statements in accordance with the IFRS concept, where the essence prevails over the form. The Fund performed a business model assessment and a "SPPI test" to show that these assets are accounted for withholding to collect contractual cash flows. The rate of return on these contracts ranges from 8.5% to 10.5%.

8 Due from Financial Institutions (continued)

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2022 is as follows:

In thousands of Kazakhstani Tenge	Loans given to financial institutions	Loans given in the framework of the Islamic financing programs	Placements with other banks with original maturities of more than three months	Total
Neither past due nor impaired				
- BBB- to BBB+ rated	45,537,972	-	76,334	45,614,306
- BB- to BB+ rated	19,465,318	-	-	19,465,318
- B- to B+ rated	76,069,756	-	-	76,069,756
Internal valuation of the Fund				
- Good	12,816,698	10,998,024	-	23,814,722
- Satisfactory	7,309,667	5,055,845	50,013,699	62,379,211
Total neither past due nor impaired	**161,199,411**	**16,053,869**	**50,090,033**	**227,343,313**
Balances individually determined to be impaired				
Overdue				
- from 91 to 180 days	3,402	-	-	3,402
- above 360 days overdue	239,108	-	-	239,108
Total individually impaired (gross)	**242,510**	**-**	**-**	**242,510**
Less: Credit loss allowance	**(7,479,490)**	**(196,882)**	**(4,966,052)**	**(12,642,424)**
Total due from financial institutions	**153,962,431**	**15,856,987**	**45,123,981**	**214,943,399**

Analysis by credit quality of amounts due from financial institutions outstanding at 31 December 2021 is as follows:

In thousands of Kazakhstani Tenge	Loans given to financial institutions	Loans given in the framework of the Islamic financing programs	Placements with other banks with original maturities of more than three months	Total
Neither past due nor impaired				
- BBB- to BBB+ rated	45,191,327	-	2,420,000	47,611,327
- BB- to BB+ rated	84,287,872	-	2,713,863	87,001,735
- B- to B+ rated	83,299,975	-	-	83,299,975
Internal valuation of the Fund				
- Good	10,359,933	10,538,958	-	20,898,891
- Satisfactory	5,374,459	5,586,300	-	10,960,759
Total neither past due nor impaired	**228,513,566**	**16,125,258**	**5,133,863**	**249,772,687**
Balances individually determined to be impaired				
Not overdue but impaired				
- Unrated				
- *Overdue*				
- above 360 days overdue	239,108	-	-	239,108
Total individually impaired (gross)	**239,108**	**-**	**-**	**239,108**
Less: Credit loss allowance	**(10,411,621)**	**(286,980)**	**(9,234)**	**(10,707,835)**
Total due from financial institutions	**218,341,053**	**15,838,278**	**5,124,629**	**239,303,960**

8 Due from Financial Institutions (continued)

The credit ratings are based on Standard and Poor's ratings where available or Moody's rating converted to the nearest equivalent on the Standard and Poor's rating scale.

The following table explains the changes in the credit loss allowance and gross carrying amount of placements with other banks between the beginning and the end of 2022 due to these factors:

	Credit loss allowance		**Gross carrying amount**	
In thousands of Kazakhstani Tenge	**Stage 1 (12-months ECL)**	**Total**	**Stage 1 (12 months ECL)**	**Total**
Placements with other banks				
As at 1 January 2022	(9,234)	(9,234)	5,133,864	5,133,864
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	(4,956,799)	(4,956,799)	52,219,363	52,219,363
Derecognised during the period	-	-	(8,809,753)	(8,809,753)
Total movements with impact on credit loss allowance charge for the period	**(4,956,799)**	**(4,956,799)**	**43,409,610**	**43,409,610**
Movements without impact on credit loss allowance charge for the period:				
Foreign exchange translation and other movements	(19)	(19)	1,546,559	1,546,559
As at 31 December 2022	**(4,966,052)**	**(4,966,052)**	**50,090,033**	**50,090,033**

The following table explains the changes in the credit loss allowance and gross carrying amount of placements with other banks between the beginning and the end of 2021 due to these factors:

	Credit loss allowance		**Gross carrying amount**	
In thousands of Kazakhstani Tenge	**Stage 1 (12-months ECL)**	**Total**	**Stage 1 (12 months ECL)**	**Total**
Placements with other banks				
As at 1 January 2021	(19,365)	(19,365)	10,610,428	10,610,428
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	(9,201)	(9,201)	119,368,904	119,368,904
Derecognised during the period	19,429	19,429	(125,328,643)	(125,328,643)
Total movements with impact on credit loss allowance charge for the period	**10,228**	**10,228**	**(5,959,739)**	**(5,959,739)**
Movements without impact on credit loss allowance charge for the period:				
Foreign exchange translation and other movements	(97)	(97)	483,175	483,175
As at 31 December 2021	**(9,234)**	**(9,234)**	**5,133,864**	**5,133,864**

8 Due from Financial Institutions (continued)

The following table explains the changes in the credit loss allowance and gross carrying amount of loans given to financial institutions between the beginning and the end of 2022 due to these factors:

	Credit loss allowance				Gross carrying amount			
In thousands of Kazakhstani Tenge	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Placements with other banks								
At 1 January 2022	(3,349,049)	(6,677,131)	(385,441)	(10,411,621)	197,108,830	27,890,939	3,752,905	228,752,674
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime expected credit losses (from Stage 1 to Stage 2)	240,546	(240,546)	-	-	(478,223)	478,223	-	-
- to impaired assets (from Stage 1 and Stage 2 to Stage 3)	19,504	-	(19,504)	-	(233,431)	-	233,431	-
New originated and purchased	(1,218,564)	-	-	(1,218,564)	51,667,609	-	-	51,667,609
Derecognised during the period	2,180,012	2,473,105	99,453	4,752,570	(106,005,425)	(14,881,677)	(2,350,636)	(123,237,738)
Changes to ECL measurement model assumptions	(458,505)	-	-	(458,505)	-	-	-	-
Amortization of discount	(116,137)	(16,795)	(10,438)	(143,370)	3,449,316	499,266	310,794	4,259,376
At 31 December 2022	**(2,702,193)**	**(4,461,367)**	**(315,930)**	**(7,479,490)**	**145,508,676**	**13,986,751**	**1,946,494**	**161,441,921**

The following table explains the changes in the credit loss allowance and gross carrying amount of loans given to financial institutions between the beginning and the end of 2021 due to these factors:

	Credit loss allowance				Gross carrying amount			
In thousands of Kazakhstani Tenge	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Placements with other banks								
At 1 January 2021	**(2,843,477)**	**(8,986,970)**	**(238,257)**	**(12,068,704)**	**181,546,964**	**36,849,738**	**248,269**	**218,644,971**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime expected credit losses (from Stage 1 to Stage 2)	465,145	(465,145)	-	-	(5,083,155)	5,083,155	-	-
- to impaired assets (from Stage 1 and Stage 2 to Stage 3)	-	1,635,318	(1,635,318)	-	-	(9,394,244)	9,394,244	-
New originated and purchased	(1,457,105)	-	-	(1,457,105)	48,218,846	-	-	48,218,846
Derecognised during the period	51,340	1,391,047	1,488,984	2,931,371	(29,679,040)	(5,094,748)	(5,880,447)	(40,654,235)
Changes to ECL measurement model assumptions	787,313	(109,612)	-	677,701	-	-	-	-
Amortization of discount	(262,667)	(148,159)	-	(410,826)	2,247,839	452,885	-	2,700,724
Other changes	(89,598)	6,390	(850)	(84,058)	(142,624)	(5,847)	(9,161)	(157,632)
At 31 December 2021	**(3,349,049)**	**(6,677,131)**	**(385,441)**	**(10,411,621)**	**197,108,830**	**27,890,939**	**3,752,905**	**228,752,674**

8 Due from Financial Institutions (continued)

The table below explains the changes in the allowance for loan losses and the gross carrying amount of loans issued under Islamic finance programs that occurred between the beginning and the end of 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Loans given in the framework of Islamic financing programs				
At 1 January 2022	(286,980)	(286,980)	16,125,258	16,125,258
Changes affecting on the allowance for credit losses for the period:				
New originated or purchased	(7,297)	(7,297)	410,000	410,000
Derecognised during the period	11,220	11,220	(481,389)	(481,389)
Changes to ECL measurement model assumptions	86,175	86,175	-	-
At 31 December 2022	**(196,882)**	**(196,882)**	**16,053,869**	**16,053,869**

The table below explains the changes in the allowance for loan losses and the gross carrying amount of loans issued under Islamic finance programs that occurred between the beginning and the end of 2021:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Loans given in the framework of Islamic financing programs				
At 1 January 2021	(203,375)	(203,375)	12,477,188	12,477,188
Changes affecting on the allowance for credit losses for the period:				
New originated or purchased	(98,644)	(98,644)	3,963,702	3,963,702
Derecognised during the period	15,039	15,039	(315,632)	(315,632)
At 31 December 2021	**(286,980)**	**(286,980)**	**16,125,258**	**16,125,258**

Refer to Note 29 for the estimated fair value of each class of amounts due from financial institutions. Interest rate analysis of due from financial institutions is disclosed in Note 27. Information on related party balances is disclosed in Note 31.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2022 is as follows.

	Over-collateralised Assets		Under-collateralised assets	
In thousands of Kazakhstani Tenge	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Credit impaired assets:				
Due from financial institutions				
Loans given to financial institutions	1,707,386	5,556,544	239,108	31,791

8 Due from Financial Institutions (continued)

The effect of collateral on credit impaired assets at 31 December 2021 is as follows.

	Over-collateralised Assets		Under-collateralised assets	
In thousands of Kazakhstani Tenge	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Credit impaired assets:				
Due from financial institutions				
Loans given to financial institutions	3,513,797	8,424,448	239,108	31,791

The following table contains an analysis of due from financial institutions balances by credit quality for which impairment loss was recognised. The carrying amount of due from financial institutions balances at 31 December 2022 below also represents the Fund's maximum exposure to credit risk on these assets:

	Due from other financial institutions 31 December 2022 ECL grouping			
	Stage 1	**Stage 2**	**Stage 3**	
In thousands of Kazakhstani Tenge	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
- BBB- to BBB+ rated	45,614,306	-	-	45,614,306
- BB- to BB+ rated	19,465,318	-	-	19,465,318
- B- to B+ rated	60,375,619	13,986,751	1,707,386	76,069,756
Internal assessment of the Fund:				
- Good level	23,814,722	-	-	23,814,722
- Satisfactory level	62,382,613	-	-	62,382,613
- Default	-	-	239,108	239,108
Gross carrying amount	**211,652,578**	**13,986,751**	**1,946,494**	**227,585,823**
Credit loss allowance	(7,865,127)	(4,461,367)	(315,930)	(12,642,424)
Carrying value	**203,787,451**	**9,525,384**	**1,630,564**	**214,943,399**

The following table contains an analysis of due from financial institutions balances by credit quality for which impairment loss was recognised. The carrying amount of due from financial institutions balances at 31 December 2021 below also represents the Fund's maximum exposure to credit risk on these assets:

	Due from other financial institutions 31 December 2021 ECL grouping			
	Stage 1	**Stage 2**	**Stage 3**	
In thousands of Kazakhstani Tenge	**12 months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
- BBB- to BBB+ rated	47,611,327	-	-	47,611,327
- BB- to BB+ rated	87,001,735	-	-	87,001,735
- B- to B+ rated	51,895,240	27,890,939	3,513,797	83,299,976
Internal assessment of the Fund:				
- Good level	20,898,891	-	-	20,898,891
- Satisfactory level	10,960,758	-	-	10,960,758
- Default	-	-	239,108	239,108
Gross carrying amount	**218,367,951**	**27,890,939**	**3,752,905**	**250,011,795**
Credit loss allowance	(3,645,263)	(6,677,131)	(385,441)	(10,707,835)
Carrying value	**214,722,688**	**21,213,808**	**3,367,464**	**239,303,960**

9 Loans and advances to customers

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Loans to small and medium enterprises	3,351,788	728,852
Receivables for paid guarantees	4,112,681	2,149,219
Less allowance for impairment of loan portfolio	(4,864,445)	(2,625,823)
Total loans and advances to customers	**2,600,024**	**252,248**

Due to the increased risk of imposing sanctions on subsidiaries of Russian banks in Kazakhstan, the Fund took measures to reduce the funds placed with these banks (Note 2). One of these measures was the assignment of claims on the portfolios of these banks to the Fund in repayment of the banks' debt to the Fund.

On 11 March 2022, the Fund entered into an assignment agreement with one of these banks and accepted a portfolio of loans in the amount of Tenge 1,346,970 thousand. On 8 and 12 April 2022, the Fund entered into assignment agreements with another bank and accepted a portfolio of loans in the amount of Tenge 10,305,120 thousand. The Fund calculated the fair value of these loan portfolios at initial recognition and recognized a loss on initial recognition in the amount of Tenge 1,820,575 thousand (Note 19).

Receivables for paid guarantees represent the Fund's claims in respect of small and medium-sized businesses to which the Fund has issued financial guarantees and for which the Fund has made payments in connection with the default of these companies on their loans in second-tier banks. Historically, the Fund has received insignificant payments on these receivables, and therefore an allowance for expected credit losses has been recognized for the entire amount of this receivable.

The table below discloses changes in the credit loss allowance and the gross carrying amount of loans and advances to customers measured at amortized cost between the beginning and the end of the reporting period. The table does not disclose the amount of provisions for receivables for paid guarantees in the amount of Tenge 4,112,681 thousand.

9 Loans and Advances to Customers (continued)

	Credit loss allowance					Gross carrying amount				
In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total
Loans to small and medium enterprises										
At 1 January 2022	**-**	**-**	**(234,004)**	**(242,964)**	**(476,968)**	**994**	**-**	**234,003**	**493,855**	**728,852**
Movements with impact on credit loss allowance charge for the period:										
Transfer:										
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(134,380)	118,397	15,983	-	-	309,188	(278,703)	(30,485)	-	-
- to lifetime expected credit losses (from Stage 1 and Stage 3 to Stage 2)	3,611	(283,068)	279,457	-	-	(561,088)	742,422	(181,334)	-	-
- to impaired assets (from Stage 1 and Stage 2 to Stage 3)	133,581	135,622	(269,203)	-	-	(460,837)	(255,962)	716,799	-	-
New originated and purchased	(545,672)	-	-	-	(545,672)	10,484,749	-	-	-	10,484,749
Derecognised during the period	447,233	26,664	88,867	31,675	594,439	(7,763,831)	(52,958)	(156,358)	(262,041)	(8,235,188)
Changes to ECL measurement model assumptions	110,235	(14,473)	(340,262)	-	(244,500)	-	-	-	-	-
Amortization of discount and interest accrued	(93,178)	(2,121)	(4,363)	-	(99,662)	307,022	19,945	53,796	7,644	388,407
Total changes affecting credit loss allowance charge for the period	**(78,570)**	**(18,979)**	**(229,521)**	**31,675**	**(295,395)**	**2,315,203**	**174,744**	**402,418**	**(254,397)**	**2,637,968**
Movements with no impact on credit loss allowance for the period:										
Write-off	-	-	*15,032*	-	*15,032*		-	*(15,032)*	-	*(15,032)*
At 31 December 2022	**(78,570)**	**(18,979)**	**(448,493)**	**(211,289)**	**(757,331)**	**2,316,197**	**174,744**	**621,389**	**239,458**	**3,351,788**

9 Loans and Advances to Customers (continued)

In thousands of Kazakhstani Tenge	Credit loss allowance					Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total
Loans to small and medium enterprises										
At 1 January 2021	**-**	**-**	**(153,335)**	**(323,269)**	**(476,604)**	**4,828**	**-**	**153,698**	**875,045**	**1,033,571**
Movements with impact on credit loss allowance charge for the period:										
Transfer:										
- to impaired assets (from Stage 1 and Stage 2 to Stage 3)	17,244		(17,244)	-	-	(385,308)	-	385,308	-	-
New originated and purchased	(17,244)	-	-	-	(17,244)	385,308	-	-	-	385,308
Derecognised during the period	-	-	229,320	104,025	333,345	(3,834)	-	(287,511)	(459,798)	(751,143)
Changes to ECL measurement model assumptions	-	-	(312,122)	-	(312,122)	-	-	-	-	-
Amortization of discount and interest accrued	-	-	-	(23,721)	(23,721)	-	-	1,886	78,608	80,494
Total changes affecting credit loss allowance charge for the period	**-**	**-**	**(100,046)**	**80,304**	**(19,742)**	(3,834)	**-**	**99,683**	**(381,190)**	**(285,341)**
Movements with no impact on credit loss allowance for the period:										
Write-off	-	-	*19,378*	-	*19,378*	-	-	*(19,378)*	-	*(19,378)*
At 31 December 2021	**-**	**-**	**(234,003)**	**(242,965)**	**(476,968)**	**994**	**-**	**234,003**	**493,855**	**728,852**

9 Loans and Advances to Customers (continued)

The table below provides an analysis of credit risk for loans and advances to customers measured at amortized cost, for which an allowance for expected credit losses has been recognized. In the table below, the carrying amount of loans and advances to customers also reflects the Fund's maximum exposure to credit risk on these loans.

The following is an analysis of loan quality as at 31 December 2022:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total
Loans to small and medium enterprises					
Not overdue	2,295,572	173,316	328,373	10,781	2,808,042
Overdue:					
- with a payment delay of less than 31 days	20,627	-	-	-	20,627
- with a payment delay from 31 to 90 days	-	1,428	-	-	1,428
- with a payment delay of more than 90 days	-	-	293,016	228,675	521,691
Gross carrying amount	**2,316,199**	**174,744**	**621,389**	**239,456**	**3,351,788**
Credit loss allowance for the period	(78,570)	(18,979)	(448,493)	(211,289)	(757,331)
Carrying amount	**2,237,629**	**155,765**	**172,896**	**28,167**	**2,594,457**

The following is an analysis of loan quality as at 31 December 2021:

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Originally created credit-impaired asset	Total
Loans to small and medium enterprises					
Not overdue	994	-	-	-	994
Overdue:					
- with a payment delay of less than 31 days	-	-	-	-	-
- with a payment delay from 31 to 60 days	-	-	-	-	-
- with a payment delay from 61 to 90 days	-	-	-	-	-
- with a payment delay of more than 90 days	-	-	234,003	493,855	727,858
Gross carrying amount	**994**	**-**	**234,003**	**493,855**	**728,852**
Credit loss allowance for the period	-	-	(234,003)	(242,965)	(476,968)
Carrying amount	**994**	**-**	**-**	**250,890**	**251,884**

9 Loans and Advances to Customers (continued)

Below is the concentration of loans by sectors of the economics:

In thousands of Kazakhstani Tenge	31 December 2022 Amount	%	31 December 2021 Amount	%
Wholesale and retail trade; car and motorcycle repair	946,563	36.48%	61,276	24.33%
Food industry	481,125	18.54%	13,543	5.38%
Provision of services	605,287	23.33%	30,924	12.28%
Manufacturing industry	413,492	15.94%	9,677	3.84%
Transport and warehousing	95,681	3.69%	16,989	6.74%
Agriculture, forestry and fisheries	33,415	1.29%	6,234	2.47%
Other industries	18,894	0.73%	113,241	44.96%
Total loans and advances to customers at amortized cost	**2,594,457**		**251,884**	

The following is an analysis of collateral for corporate loans measured at amortized cost as at 31 December 2022:

In thousands of Kazakhstani Tenge	Loans to small and medium enterprises	Total
Collateralized loans:		
- by residential real estate	746,389	746,389
- other real estate objects	1,355,430	1,355,430
- vehicles and equipment	358,137	358,137
Total	**2,459,956**	**2,459,956**
Uncollateralized loans	134,501	134,501
Total carrying amount of loans and advances to customers measured at amortized cost (amount representing the exposure to credit risk for each class of loans measured at amortized cost)	**2,594,457**	**2,594,457**

The following is an analysis of collateral for corporate loans measured at amortized cost as at 31 December 2021:

In thousands of Kazakhstani Tenge	Loans to small and medium enterprises	Total
Collateralized loans:		
- by residential real estate	61,365	61,365
- other real estate objects	52,753	52,753
- tradable securities	99,001	99,001
Total	**213,119**	**213,119**
Uncollateralized loans	38,765	38,765
Total carrying amount of loans and advances to customers measured at amortized cost (amount representing the exposure to credit risk for each class of loans measured at amortized cost)	**251,884**	**251,884**

9 Loand and Advances to Customers (continued)

The financial impact of collateral is presented by separately disclosing its value for (i) assets for which collateral and other credit enhancements equal or exceed the carrying amount of the asset ("overcollateralized assets") and (ii) assets for which collateral and other credit enhancements other credit enhancements are less than the carrying amount of the asset ("undercollateralised assets"). The table below shows the impact of the collateral as at 31 December 2022:

	Overcollateralized Assets		Undercollateralized Assets	
In thousands of Kazakhstani Tenge	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Loans to small and medium enterprises	2,459,956	18,754,302	134,501	-
Other loans	-	-	-	-
Total	**2,459,956**	**18,754,302**	**134,501**	**-**

The table below shows the impact of the collateral as at 31 December 2021:

	Overcollateralized Assets		Undercollateralized Assets	
In thousands of Kazakhstani Tenge	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Loans to small and medium enterprises	212,125	2,028,050	38,765	-
Other loans	994	7,507	-	-
Total	**213,119**	**2,287,805**	**38,765**	**-**

10 Investments in Debt Securities

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Debt securities at fair value through other comprehensive income (FVOCI)	13,426,688	40,536,848
Debt securities at amortised cost	5,828,881	5,529,965
Debt securities designated as at fair value through profit or loss (FVTPL) at initial recognition	74,139	934,811
Total investments in debt securities	**19,329,708**	**47,001,624**

The table below discloses investments in debt securities at 31 December 2022 by measurement categories and classes:

In thousands of Kazakhstani Tenge	Debt securities designated as at FVTPL at initial recognition	Debt securities at FVOCI	Debt securities at AC	Total
NBRK notes	-	49,676	-	49,676
Kazakhstan government bonds	74,139	9,605,874	-	9,680,013
Corporate bonds	-	4,727,051	5,007,962	9,735,013
Bonds of international financial organizations	-	-	-	-
Other corporate bonds	-	-	830,949	830,949
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	74,139	14,382,601	5,838,911	20,295,651
Credit loss allowance	-	(955,913)	(10,030)	(965,943)
Total investments in debt securities at 31 December 2022 (carrying value)	**74,139**	**13,426,688**	**5,828,881**	**19,329,708**

10 Investments in Debt Securities (continued)

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

In thousands of Kazakhstani Tenge	Debt securities designated as at FVTPL at initial recognition	Debt securities at FVOCI	Debt securities at AC	Total
NBRK notes	-	27,542,151	-	27,542,151
Kazakhstan government bonds	934,811	6,087,499	-	7,022,310
Corporate bonds	-	4,980,711	4,712,972	9,693,683
Bonds of international financial organizations	-	1,943,378	-	1,943,378
Other corporate bonds	-	-	829,645	829,645
Total investments in debt securities at 31 December 2021 (fair value or gross carrying value)	**934,811**	**40,553,739**	**5,542,617**	**47,031,167**
Credit loss allowance	-	(16,891)	(12,652)	(29,543)
Total investments in debt securities at 31 December 2021 (carrying value)	**934,811**	**40,536,848**	**5,529,965**	**47,001,624**

(a) Investments in debt securities at FVTPL

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Fund's maximum exposure to credit risk. The table below contains an analysis of the credit risk exposure of debt securities measured at FVTPL at 31 December 2022:

In thousands of Kazakhstani Tenge	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	74,139	-	**74,139**
Total gross carrying value of assets at FVTPL	**74,139**	-	**74,139**

Debt securities at fair value through profit or loss are recognized at fair value, which also reflects the associated credit risk write-offs and provides the most accurate indication of the Fund's maximum credit exposure. The table below contains an analysis of the credit risk exposure of debt securities measured at FVTPL at 31 December 2021:

In thousands of Kazakhstani Tenge	Kazakhstan government bonds	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	934,811	-	**934,811**
Total gross carrying value of assets at FVTPL	**934,811**	-	**934,811**

The debt securities at FVTPL are not collateralised.

10 Investments in Debt Securities (continued)

(b) Investments in debt securities at FVOCI

In thousands of Kazakhstani Tenge	**Stage 1 (12 months ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
NBRK notes	49,774	-	49,774
Kazakhstan government bonds	9,767,335	-	9,767,335
Bonds of international financial organizations			
Corporate bonds			
- BBB- to BBB+ rated	3,667,475	-	3,667,475
- BB- to BB+ rated	651,108	-	651,108
- unrated	-	1,006,569	1,006,569
Total AC gross carrying amount on 31 December 2022	**14,135,692**	**1,006,569**	**15,142,261**
Less: credit loss allowance	(4,226)	(951,687)	(955,913)
Less: fair value adjustment from AC to FV	(704,778)	(54,882)	(759,660)
Carrying value (fair value) on 31 December 2022	**13,426,688**	**-**	**13,426,688**

In thousands of Kazakhstani Tenge	**Stage 1 (12 months ECL)**	**Total**
NBRK notes	27,564,440	27,564,440
Kazakhstan government bonds	9,524,841	9,524,841
Bonds of international financial organizations	1,950,276	1,950,276
Corporate bonds	-	-
- BB- to BB+ rated	1,108,830	1,108,830
- B- to B+ rated	527,525	527,525
Total AC gross carrying amount on 31 December 2021	**40,675,912**	**40,675,912**
Less: credit loss allowance	(16,891)	(16,891)
Less: fair value adjustment from AC to FV	(122,173)	(122,173)
Carrying value (fair value) on 31 December 2021	**40,536,848**	**40,536,848**

The debt securities at FVOCI are not collateralised. During 2022, there were no factors for SICR and default indicators and reserves were calculated equal to 12-month ECL.

(c) Investments in debt securities at AC

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2022 based on credit risk grades. Refer to Note 27 for the description of credit risk grading system used by the Fund and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC.

10 Investments in Debt Securities (continued)

The carrying amount of debt securities at AC at 31 December 2022 below also represents the Fund's maximum exposure to credit risk on these assets.

In thousands of Kazakhstani Tenge	Corporate bonds	Other bonds	Total
- B- to B+ rated	5,007,962	830,949	5,838,911
Gross carrying amount	**5,007,962**	**830,949**	**5,838,911**
Credit loss allowance	-	(10,030)	(10,030)
Carrying amount	**5,007,962**	**820,919**	**5,828,881**

The table below contains an analysis of the credit risk exposure of debt securities measured at AC at 31 December 2021 based on credit risk grades.

In thousands of Kazakhstani Tenge	Corporate bonds	Other bonds	Total
- B- to B+ rated	4,712,972	829,645	5,542,617
Gross carrying amount	**4,712,972**	**829,645**	**5,542,617**
Credit loss allowance	-	(12,652)	(12,652)
Carrying amount	**4,712,972**	**816,993**	**5,529,965**

On 13 and 14 December 2018, the Fund purchased the bonds of "TsesnaBank" JSC in exchange for loans that the Fund issued earlier to "Tsesnabank" JSC. The nominal value of these bonds is Tenge 32,800,312 thousand, excluding accrued interest. The Fund estimated the fair value of the bonds by the method of discounted payments at a rate of 15.45% which amounted to Tenge 3,935,983 thousand as at 31 December 2018. The absence of credit loss allowances is due to the fact that these bonds were purchased at the end of the year and the recoverable amount is equal to the carrying amount.

The Fund's management intends to hold these bonds in order to receive contractual cash flows. These bonds passed the SPPI test at initial recognition and are carried at amortized cost. The debt securities at AC are not collateralised.

The debt securities at AC are not collateralised.

11 Premises and Equipment

In thousands of Kazakhstani Tenge	Note	Land and buildings	Equipment, office furniture and accessories	Vehicles	Right-Use Asset: Buildings	Total
Balance at 1 January 2021		2,310,009	1,649,025	185,693	389,003	4,533,730
Accumulated depreciation		(373,629)	(1,419,103)	(164,509)	(215,224)	(2,172,465)
Carrying amount as of 1 January 2021		**1,936,380**	**229,922**	**21,184**	**173,779**	**2,361,265**
Additions		25,882	53,043	-	7,913	86,838
Disposals		-	(110,895)	(21,998)	(396,916)	(529,809)
Depreciation charge	23	(45,640)	(79,747)	(15,914)	(160,088)	(301,389)
Disposal of accumulated depreciation		-	107,614	21,998	375,312	504,924
Carrying amount as of 31 December 2021		**1,916,622**	**199,937**	**5,270**	**-**	**2,121,829**
Balance at 31 December 2021		2,335,891	1,591,173	163,695	-	4,090,759
Accumulated depreciation		(419,269)	(1,391,236)	(158,425)	-	(1,968,930)
Carrying amount as of 31 December 2021		**1,916,622**	**199,937**	**5,270**	**-**	**2,121,829**
Additions		40,706	82,220	35,920	365,973	524,819
Disposals		-	(97,738)	(21,998)	(15,734)	(135,470)
Depreciation charge	23	(55,707)	(75,614)	(5,271)	(172,456)	(309,048)
Disposal of accumulated depreciation		-	95,596	21,998	5,029	122,623
Carrying amount as of 31 December 2022		**1,901,621**	**204,401**	**35,919**	**182,812**	**2,324,753**
Balance at 31 December 2022		2,376,597	1,575,655	177,617	350,239	4,480,108
Accumulated depreciation		(474,976)	(1,371,254)	(141,698)	(167,427)	(2,155,355)
Carrying amount as of 31 December 2022		**1,901,621**	**204,401**	**35,919**	**182,812**	**2,324,753**

12 Other assets

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Accounts receivable at AC	291,780	184,258
Less: Credit loss allowance	(78,579)	(76,807)
Total other financial assets within other assets	**213,201**	**107,451**
Repossessed collateral	4,315,369	4,393,698
Services prepaid	305,843	119,564
Taxes other than on income	177,501	297,618
Raw materials and supplies	44,092	35,777
Construction in progress	3,371	16,588
Other	7,978	8,794
Less: Provision for impairment	(2,826)	(3,524)
Total other assets	**5,064,529**	**4,975,966**

12 Other assets (Continued)

Repossessed collateral represents real estate assets acquired by the Fund in settlement of overdue loans. The Fund expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired.

Analysis by credit quality of other financial assets at 31 December 2022 is as follows:

In thousands of Kazakhstani Tenge	**Accounts receivable**	**Total**
Neither past due nor impaired		
- BB- to BB+ rated	1,167	1,167
- B- to B+ rated	1,344	1,344
- unrated	201,962	201,962
Total neither past due nor impaired	**204,473**	**204,473**
Individually determined to be impaired (gross)		
Overdue		
- 30 to 360 days overdue	71,295	71,295
- over 360 days overdue	16,012	16,012
Total individually impaired (gross)	**87,307**	**87,307**
Less: Credit loss allowance	**(78,579)**	**(78,579)**
Total other financial assets	**213,201**	**213,201**

Analysis by credit quality of other financial assets at 31 December 2021 is as follows:

In thousands of Kazakhstani Tenge	**Accounts receivable**	**Total**
Neither past due nor impaired		
- BBB- to BBB+ rated	875	875
- BB- to BB+ rated	1,402	1,402
- B- to B+ rated	10,424	10,424
Total neither past due nor impaired	**95,159**	**95,159**
Individually determined to be impaired (gross)		
- unrated		
- 30 to 360 days overdue	76,381	76,381
- over 360 days overdue	12,719	12,719
Total individually impaired (gross)	**89,100**	**89,100**
Less: Credit loss allowance	**(76,807)**	**(76,807)**
Total other financial assets	**107,452**	**107,452**

12 Other assets (Continued)

Movements in the provision for impairment during 2022 and 2021 are as follows:

In thousands of Kazakhstani Tenge	2022			2021		
	Other financial assets	**Other assets**	**Total**	**Other financial assets**	**Other assets**	**Total**
Provision balance at 1 January	**(76,807)**	**(3,524)**	**(80,331)**	**(61,345)**	**(3,748)**	**(65,093)**
Provision for/(recovery of) impairment during the year	(2,464)	632	(1,832)	(15,707)	224	(15,483)
Amounts written off during the year as uncollectible	575	66	641	245	-	245
Exchange difference	-	-	-	-	-	-
Transfer of provision due to reclassification of fully provisioned receivables	117	-	117	-	-	-
Provision balance at 31 December	**(78,579)**	**(2,826)**	**(81,405)**	**(76,807)**	**(3,524)**	**(80,331)**

Refer to Note 29 for disclosure of the fair value of other financial assets. Information on related party balances is disclosed in Note 31.

13 Borrowed Funds

In thousands of Kazakhstani Tenge	**31 December 2022**	**31 December 2021**
Baiterek NMH JSC (6.57% - 10.65%)	102,446,602	96,380,615
Municipal authorities (0.01% - 1%)	45,724,759	53,144,684
Samruk-Kazyna NWF JSC (2% - 5.5%)	19,416,325	19,416,325
Ministry of Finance of Republic of Kazakhstan (0%)	386,689	360,905
Total borrowed funds	**167,974,375**	**169,302,529**

In 2014-2015, the Fund received funds from Baiterek NMH JSC in the amount of 200 billion tenge at 0.15% per annum with a maturity of 20 years. In 2019, the Fund received a loan from Baiterek NMH JSC in the amount of 16 billion tenge at 0.1% per annum with a maturity of 15 years. Approaches to measuring the fair value at initial recognition of these loans are presented in Note 4.

For borrowings from NWF Samruk-Kazyna JSC, the Ministry of Finance of the Republic of Kazakhstan and municipal authorities, the Fund accepts contractual interest rates as market rates due to the fact that these organizations do not provide financing to other organizations on a commercial basis and therefore there are no such loans on the market.

Information on the fair value of each category of borrowings is provided in Note 29. An analysis of interest rates on borrowings is presented in Note 27. Information on transactions with related parties is presented in Note 31.

14 Debt Securities in Issue

In 2021, the Fund raised funds in the amount of 1 billion tenge with a coupon rate of 11.9% per annum, a maturity of 5 years, by issuing social bonds. These funds were placed with Bank RBK JSC on November 8, 2021 for the purpose of financing the Fund's programs to support small and medium-sized businesses.

In 2020, the Fund raised funds in the amount of 200 million tenge, coupon rate 11.75%, maturity 3 years, by issuing green bonds. These funds are placed in the SB JSC "Sberbank" March 31, 2021 for the purposes of financing the Fund's programs to support small and medium-sized businesses.

In 2022, the Fund did not issue or redeem debt securities.

Information on the fair value measurement of each category of debt securities in issue is disclosed in Note 29. An analysis of the interest rates of debt securities in issue is disclosed in Note 27. Information on transactions with related parties of debt securities in issue is disclosed in Note 31.

15 Liabilities on Subsidy Programs

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Banks	4,737,563	5,557,895
Municipal authorities	175,725	2,235,070
Total liabilities on subsidy programs	**4,913,288**	**7,792,965**

Obligations under subsidy programs represent funds received from local executive bodies, the republican budget from the Ministry of National Economy of the Republic of Kazakhstan, the "United Nations Development Program" in the Republic of Kazakhstan". Such funds are further transferred to second-tier banks, incl. and to their regional branches as payment for government-subsidized projects under the national project for the development of entrepreneurship for 2021-2025, the Priority Project Lending and Financial Leasing Facility.

Refer to Note 29 for disclosure of the fair value liabilities on subsidy programs. Information on related party balances is disclosed in Note 31.

16 Deferred Income and Provision for Credit Related Commitments

In thousands of Kazakhstani Tenge	Note	31 December 2022	31 December 2021
Deferred income on financial guarantees		41,234,839	31,305,328
Financial guarantees (provision for credit related commitments)	28	34,115,028	25,556,498
Total deferred income and provision for credit related commitments		**75,349,867**	**56,861,826**

Financial guarantees represent guarantees issued by the Fund as part of the implementation of the National Entrepreneurship Development Project for 2021-2025, in accordance with the Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 728 and the Lending and Financial Leasing Mechanism for Priority Projects, approved by the Decree of the Government of the Republic of Kazakhstan dated 11 December 2018 No. 820 "On some issues of ensuring long-term tenge liquidity to solve the problem of affordable lending". guarantee program "Damu-Optima", approved by the decision of the Board of the Fund dated January 22, 2018, protocol No. 05/2018 and the National Project for the Development of Entrepreneurship for 2021-2025, approved by the Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 728, in Ensuring the fulfillment of obligations of private businesses under loans/microcredits/leasing transactions to second-tier banks/microfinance organizations/leasing companies.

Within the framework of the programs, the Fund acts as a financial agent between the program coordinator and a private business entity. The cost of the commission, which is paid by the program coordinator at the local level to the Fund, is 20% of the amount of the financial guarantee (except for Damu-Optima). The resulting commission value is deferred to income by attributing it straight to income over the life of the issued guarantee. The rest of the increase in issued guarantees is associated with a general increase in the volume of guarantees for small and medium-sized businesses.

Significant estimates and judgments regarding the accounting for issued guarantees are presented in Note 4. Information on the fair value of deferred income and provision for credit related commitments is presented in Note 29. Information on transactions with related parties is presented in Note 31.

17 Other Liabilities

In thousands of Kazakhstani Tenge	31 December 2022	31 December 2021
Accounts payable	273,513	325,541
Accrued liabilities and other creditors	128,345	127,435
Lease obligation	199,046	4,714
Total financial liabilities within other liabilities	**600,904**	**457,690**
Unused vacation reserve	171,521	169,509
Accrued employee benefit costs	165,301	130,300
Advances received	101,396	127,488
Taxes payable other than on income	134,672	91,173
Other	1,078	542
Total other liabilities	**1,174,872**	**976,702**

All of the above obligations will be settled within 12 months after the end of the reporting period. The fair value of other financial liabilities is disclosed in Note 29. Information on transactions with related parties is disclosed in Note 31.

18 Share Capital

In thousands of Kazakhstani Tenge (except for number of shares)	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2021	**27,762**	**102,920,273**	**102,920,273**
New share issue	-	-	-
At 31 December 2022	**27,762**	**102,920,273**	**102,920,273**

On 4 May 2022, at the meeting of the Sole Shareholder, the Fund declared dividends for the year ended 31 December 2021, for a total amount of KZT 17,521,673 thousand. The entire dividend amount was paid to the Sole Shareholder on 13 June 2022.

On 26 May 2021, at the meeting of the Sole Shareholder, the Fund declared dividends for the year ended 31 December 2020 in the total amount of KZT 3,334,015 thousand. The entire amount of dividends was paid to the Sole Shareholder on 31 May 2021.

19 Interest Income and Expense

In thousands of Kazakhstani Tenge	2022	2021
Interest income calculated using the effective interest method		
Due from financial institutions	16,421,811	16,572,323
Cash and cash equivalents	15,548,888	5,559,130
Securities at fair value through other comprehensive income	2,067,294	2,803,030
Loans and advances to customers	1,087,463	100,398
Securities at amortise cost	401,095	381,363
Total interest income calculated using the effective interest method	**35,526,551**	**25,416,244**
Other similar income		
Debt securities at fair value through profit or loss	25,276	119,025
Total other similar income	**25,276**	**119,025**
Total interest income	**35,551,827**	**25,535,269**
Interest expense		
Borrowed funds	(7,651,853)	(7,217,605)
Debt securities in issue	(142,500)	(58,539)
Interest expense on finance lease	(24,518)	(9,913)
Total interest expense	**(7,818,871)**	**(7,286,057)**
Net interest income	**27,732,956**	**18,249,212**

Interest income on due from financial institutions includes Tenge 4,209,663 thousand (2021: Tenge 3,885,300 thousand) interest income from unwinding of discount on loans given at rates below the market (Note 4). Interest income on investment securities includes interest income in the amount of Tenge 1,885,922 thousand (2021: Tenge 2,907,159 thousand) from discount amortization.

Counterparties registered in Kazakhstan withhold income tax at the source of payment in the amount of 15% of the amount of interest payable to the Fund. During 2022, taxes were withheld in the total amount of Tenge 1,799,132 thousand (2021: Tenge 1,643,465 thousand). Interest expense on borrowed funds includes Tenge 6,266,022 thousand (2021: Tenge 5,398,704 thousand) interest expense from unwinding of discount on borrowed funds received at rates below the market.

20 Net Fee and Commission Income

In thousands of Kazakhstani Tenge	2022	2021
Guarantees issued	24,228,362	16,853,591
Financial agent services	625,599	625,595
Total fee and commission income	**24,853,961**	**17,479,186**

Fee and commission income consists of income from issued guarantees (Note 16), subsidizing services for the State Institution of the Ministry of National Economy of the Republic of Kazakhstan, RSI "Committee for Construction and Housing and Communal Services of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan" as an operator and financial agent (Note 16), and services to support start-up entrepreneurs as part of the implementation of the program "State Program for Development and Support".

21 Gains less losses from Financial Assets at Amortised Cost

During 2022, the Fund received partial early repayments from three banks that previously had loans at below market rates and recognized income from partial derecognition of loans to these banks in the amount of Tenge 32,544,294 thousand. Additionally, the Fund recognized income from partial early repayment of loans from other organizations in the amount of KZT 249,681 thousand.

During 2021, the Fund received partial early repayments from three banks that previously had loans at below market rates and recognized income from partial derecognition of loans to these banks in the amount of Tenge 6,521,994 thousand. Additionally, the Fund recognized income from partial early repayment of loans from other organizations in the amount of KZT 22,690 thousand (Note 8).

22 Net Loss on Initial Recognition of Financial Instruments at Rates below Market

In thousands of Kazakhstani Tenge	2022	2021
Loss on initial recognition of due from financial institutions at rates below market	(3,267,258)	(10,856,707)
Total net loss on initial recognition of financial instruments at rates below market	**(3,267,258)**	**(10,856,707)**

During 2022, the Fund recognized a net loss on initial recognition of loans and advances to customers accepted by the Fund under assignment agreements in the amount of KZT 1,820,575 thousand. The Fund also recognized a net loss on initial recognition of funds in financial institutions at below market rates in the amount of Tenge 1,446,683 thousand.

In December 2021, the Fund placed funds in the amount of Tenge 16,654,334 thousand previously received from Baiterek NMH JSC in two commercial banks at 2% per annum with maturities in 2034-2035. The Fund has measured the fair value of these loans and recognized a loss on initial recognition of financial instruments at below market rates.

Detailed description and assessment of financial results are presented in Critical Accounting Estimates and Judgements in Applying Accounting Policies – Initial recognition of financial instruments issued at rates below market (Note 4).

23 General and Administrative Expenses

In thousands of Kazakhstani Tenge	2022	2021
Staff costs	3,841,858	3,380,668
Repair and technical maintenance	288,114	175,951
Communication services	181,953	185,969
Depreciation of right-of-use assets	172,456	160,088
Depreciation of premises and equipment	136,592	141,301
Recruiting costs (outsourcing)	116,897	156,330
Broker fees	129,219	85,064
Taxes other than on income	108,654	107,573
Business trip expenses	84,764	72,852
Amortisation of intangible assets	66,212	63,206
Legal and consulting services	59,575	69,926
Security services	58,405	51,618
Training	40,961	26,737
Utilities	36,405	40,881
Materials	30,916	37,467
Transportation expense	22,080	19,810
Expenses related to Board of Directors	19,342	19,670
Office supplies and printing services	12,972	12,208
Bank charges	12,661	12,274
Insurance expenses	4,587	1,834
Short term rent expenses	3,789	-
Health and safety expenses	1,463	4,084
Representative expenses	1,161	-
Advertising and marketing services	-	13,949
Other	132,916	116,114
Total General and Administrative Expenses	**5,563,952**	**4,955,574**
Outsourcing	602,237	501,687
Advertising and marketing services	183,879	82,609
Legal and consulting services	144,320	154,246
Staff costs (FFSA)	142,083	8,613
Repair and technical maintenance	87,973	69,124
Business trip expenses	23,321	-
Communication services	9,918	13,276
Office supplies and printing services	6,306	9,972
Materials	1,365	1,013
Underwriting services	158	582
Training	-	323
Short term rent expenses	-	204
Other	17,746	20,756
Total expenses on realisation of Fund's programs*	**1,219,306**	**862,405**

*This group of expenses includes expenses for non-financial support of entrepreneurs, for an advertising and image campaign to popularize the activities of the Fund and to promote the financial and non-financial programs of the Fund, under the program of the Fund for Financial Support of Agriculture, for hiring consultants to support the financial and non-financial programs of the Fund.

The costs of recruiting (outsourcing) as part of the costs of implementing the Fund's programs represent the costs of attracting consultants to service the financial and non-financial programs of the Fund.

24 Income Taxes

(a) Components of income tax expense

The income tax expense recognised in profit and loss for the year comprises the following:

In thousands of Kazakhstani Tenge	2022	2021
Current tax expense	7,513,068	5,703,354
Deferred tax expense	4,968,426	(154,709)
Income tax expense for the year	**12,481,494**	**5,548,645**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applied to most of the Fund's 2022 income is 20% (2021: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	2022	2021
Profit before tax	**64,441,560**	**30,579,607**
Theoretical tax charge at statutory rate (2022: 20%; 2021: 20%)	12,888,312	6,115,921
Tax effects of items which are not deductible or assessable for taxation purposes:		
- *Income on securities, exempt from tax*	(498,751)	(660,684)
- *Other non-deductible expenses*	91,933	93,408
Income tax expense for the year	**12,481,494**	**5,548,645**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

Movements in temporary differences during the year ended 31 December 2022 are detailed below:

In thousands of Kazakhstani Tenge	1 January 2022	(Charged)/ credited to profit or loss	31 December 2022
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Loans and advances to customers	(3,250)	250,435	247,185
Due from financial institutions	2,059,970	754,862	2,814,832
Premises and equipment and intangible assets	(188,008)	(24,763)	(212,771)
Discount on borrowed funds and due from financial instruments	(1,243,836)	(5,765,090)	(7,008,926)
Provision for credit related commitments	1,127,452	82,611	1,210,063
Islamic financing	1,346,666	(266,882)	1,079,784
Other liabilities	33,902	401	34,303
Net deferred tax asset/(liability)	**3,132,896**	**(4,968,426)**	**(1,835,530)**
Recognised deferred tax asset	4,564,740	821,427	5,386,167
Recognised deferred tax liability	(1,431,844)	(5,789,853)	(7,221,697)
Net deferred tax asset/(liability)	**3,132,896**	**(4,968,426)**	**(1,835,530)**

24 Income Taxes (continued)

Movements in temporary differences during the year ended 31 December 2021 are detailed below:

In thousands of Kazakhstani Tenge	1 January 2021	(Charged)/ credited to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Loans and advances to customers	11,098	(14,348)	(3,250)
Due from financial institutions	2,412,670	(352,700)	2,059,970
Premises and equipment and intangible assets	(172,823)	(15,185)	(188,008)
Discount on borrowed funds and due from financial instruments	(2,421,118)	1,177,282	(1,243,836)
Provision for credit related commitments	1,792,120	(664,668)	1,127,452
Islamic financing	1,339,856	6,810	1,346,666
Other liabilities	16,384	17,518	33,902
Net deferred tax asset	**2,978,187**	**154,709**	**3,132,896**
Recognised deferred tax asset	5,572,128	(1,007,388)	4,564,740
Recognised deferred tax liability	(2,593,941)	1,162,097	(1,431,844)
Net deferred tax asset	**2,978,187**	**154,709**	**3,132,896**

25 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Fund's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

In thousands of Kazakhstani Tenge	Baiterek NMH JSC	Municipal authorities, Samruk-Kazyna NWF JSC, Ministry of Finance RK	Debt securities in issue	Lease liabilities	Total
Liabilities from financing activities at 1 January 2021	**90,549,594**	**85,275,311**	**209,139**	**178,498**	**176,212,542**
Cash flows	(316,200)	(13,432,884)	976,500	(166,052)	(12,938,636)
Foreign exchange adjustments	-	9,102	-	-	9,102
Other non-cash movements	6,147,221	1,070,385	58,539	(7,732)	7,268,413
Liabilities from financing activities at 31 December 2021	**96,380,615**	**72,921,914**	**1,244,178**	**4,714**	**170,551,421**
Cash flows	(516,148)	(8,489,643)	(142,500)	(184,340)	(9,332,631)
Foreign exchange adjustments	-	25,784	-	-	25,784
Other non-cash movements	6,582,135	1,069,718	142,500	378,672	8,173,025
Liabilities from financing activities at 31 December 2022	**102,446,602**	**65,527,773**	**1,244,178**	**199,046**	**169,417,599**

Other non-cash changes represent the amortization of the discount on borrowings received from NMH Baiterek JSC at below market rates and the accrual of interest.

26 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The functions of the CODM are performed by Management Board of the Fund.

(a) Description of products and services from which each reportable segment derives its revenue

The Fund is organised on the basis of two main business segments:

- Project operation – this segment includes cash at the RSI "National Bank of Kazakhstan" using for issuing conditional loans, loans issued to financial institutions, small and medium businesses, and issuing financial guarantees;
- Investing operation – representing cash and cash equivalents, securities and due from financial institutions (deposits).

(b) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

In thousands of Kazakhstani Tenge	Note	Project operation	Investing operation	Total
Cash and cash equivalents	7	57,356,800	124,680,545	182,037,345
Due from financial institutions	8	169,819,418	45,123,981	214,943,399
Loans and advances to customers	9	2,600,024	-	2,600,024
Due from subsidy programs		183,681	-	183,681
Investments in debt securities	10	-	19,329,708	19,329,708
Total reportable segment assets		**229,959,923**	**189,134,234**	**419,094,157**
Borrowed funds	13	167,974,375	-	167,974,375
Debt securities in issue	14	-	1,244,178	1,244,178
Liabilities on subsidy programs	15	4,913,288	-	4,913,288
Deferred income and provision for credit related commitments	16	75,349,867	-	75,349,867
Total reportable segment liabilities		**248,237,530**	**1,244,178**	**249,481,708**
Capital expenditure		-	-	**282,318**

Capital expenditure represents additions to premises and equipment.

26 Segment Analysis (continued)

In thousands of Kazakhstani Tenge	Project operation	Investing operation	Total
Interest income due from financial institutions	14,612,019	1,809,792	16,421,811
Interest income from loans and advances to customers	1,087,463	-	1,087,463
Interest income from investments in debt securities	-	2,493,665	2,493,665
Interest income from cash and cash equivalents	-	15,548,888	15,548,888
Interest expense on borrowed funds	(7,651,853)	-	(7,651,853)
Interest expense on debt securities in issue	-	(142,500)	(142,500)
Net interest income	**8,047,629**	**19,709,845**	**27,757,474**
Provision for impairment	765,301	(4,888,306)	(4,123,005)
Net interest income after provision for impairment	**8,812,930**	**14,821,539**	**23,634,469**
Fee and commission income	24,853,961	-	24,853,961
Gains less losses from financial assets at fair value through profit or loss	-	12,497	12,497
Net loss on initial recognition of assets at rates below market	(3,267,258)	-	(3,267,258)
Gains less losses from derecognition of financial assets measured at amortised cost	32,793,975	-	32,793,975
Impairment of debt securities at fair value through other comprehensive income	-	(936,400)	(936,400)
(Provision for)/Recovery of impairment for credit related commitments	(6,388,865)	-	(6,388,865)
Foreign exchange translation gains less losses	(25,785)	407,494	381,709
Expenses on realisation of Fund's programs	(1,219,306)	-	(1,219,306)
General and administrative expenses	(2,908,210)	(277,910)	(3,186,120)
Segment result	**52,651,442**	**14,027,220**	**66,678,662**

Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

In thousands of Kazakhstani Tenge	Note	Project operation	Investing operation	Total
Cash and cash equivalents	7	8,438,524	68,443,859	76,882,383
Due from financial institutions	8	234,179,331	5,124,629	239,303,960
Loans and advances to customers	9	252,248	-	252,248
Due from subsidy programs		77,899	-	77,899
Investments in debt securities	10	-	47,001,624	47,001,624
Total reportable segment assets		**242,948,002**	**120,570,112**	**363,518,114**
Borrowed funds	13	169,302,529	-	169,302,529
Debt securities in issue	14	-	1,244,178	1,244,178
Liabilities on subsidy programs	15	7,792,965	-	7,792,965
Deferred income and provision for credit related commitments	16	56,861,826	-	56,861,826
Total reportable segment liabilities		**233,957,320**	**1,244,178**	**235,201,498**
Capital expenditure		-	-	**175,363**

Capital expenditure represents additions to premises and equipment.

26 Segment Analysis (continued)

In thousands of Kazakhstani Tenge	Project operation	Investing operation	Total
Interest income due from financial institutions	16,092,089	480,234	16,572,323
Interest income from loans and advances to customers	100,397	-	100,397
Interest income from investments in debt securities	-	3,303,418	3,303,418
Interest income from cash and cash equivalents	-	5,559,130	5,559,130
Interest expense on borrowed funds	(7,217,605)	-	(7,217,605)
Interest expense on debt securities in issue	-	(58,539)	(58,539)
Net interest income	**8,974,881**	**9,284,243**	**18,259,124**
Provision for impairment	1,407,845	10,228	1,418,073
Net interest income after provision for impairment	**10,382,726**	**9,294,471**	**19,677,197**
Fee and commission income	17,479,187	-	17,479,187
Gains less losses from financial assets at fair value through profit or loss	-	75,345	75,345
Net loss on initial recognition of assets at rates below market	(10,856,707)	-	(10,856,707)
Gains less losses from derecognition of financial assets measured at amortised cost	6,544,684	-	6,544,684
Impairment of debt securities at fair value through other comprehensive income	-	(12,412)	(12,412)
(Provision for)/Recovery of impairment for other assets	(15,707)	(71,271)	(86,978)
(Provision for)/Recovery of impairment for credit related commitments	3,377,843	-	3,377,843
Foreign exchange translation gains less losses	(9,102)	88,587	79,485
Expenses on realisation of Fund's programs	(862,405)	-	(862,405)
General and administrative expenses	(2,223,643)	(165,294)	(2,388,937)
Segment result	**23,816,876**	**9,209,426**	**33,026,302**

(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In thousands of Kazakhstani Tenge	2022	2021
Total reportable segment assets	**419,094,157**	**363,518,114**
Premises and equipment	2,141,941	2,121,829
Intangible assets	324,883	267,623
Prepayment of current income tax liabilities	633,394	3,357,383
Current income tax prepayment	-	3,132,896
Right-of-Use asset	182,812	-
Non-current assets held for sale	39,262	153,173
Other assets	5,064,529	4,975,966
Total assets	**427,480,978**	**377,526,984**

In thousands of Kazakhstani Tenge	2022	2021
Total reporting segment liabilities	**249,481,708**	**235,201,498**
Deferred tax liability	1,835,530	-
Other liabilities	1,174,872	976,702
Total liabilities	**252,492,110**	**236,178,200**

26 Segment Analysis (continued)

In thousands of Kazakhstani Tenge	2022	2021
Segment result	**66,678,662**	**33,026,302**
General and administrative expenses	(2,377,832)	(2,566,637)
Income	140,730	119,942
Profit before tax	64,441,560	30,579,607
Income tax expense	(12,481,494)	(5,548,645)
Profit for the period	**51,960,066**	**25,030,962**

The Fund receives all its income in Kazakhstan. The Fund has no significant external clients in foreign countries. The Fund has no significant income and expense between operating segments. The Fund has no customers who represent at least ten percent of the total income received in 2022 and 2021.

27 Financial Risk Management

Management of risk is fundamental to the Fund's business and is an essential element of its operations. The Fund manages risks in the course of the ongoing process of risk identification, monitoring, assessment and control as well as by establishment of the risk limits and other internal control arrangements. The risk management process is critical to support the Fund's stable profitability and each employee of the Fund is responsible for the risks associated with his/her duties. Market risk (including price risk, interest rate risk and currency risk), as well as credit risk and liquidity risk are the major risks which the Fund has to manage in the course of its normal business.

Risk management policies and procedures

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

The risk management strategy is set forth in the Fund's risk management policy, which has been worked out in accordance with the risk management strategy of the Fund's sole shareholder.

The aims of the risk management policy are as follows:

- To build up an effective integrated system and create an integrated process of risk management as an element of the Fund management and continuously improve the Fund's operations on the basis of the unified standardized approach to the risk management methods and procedures;
- To ensure that the Fund takes the acceptable risks for the scale of its operations;
- To determine the retention ability and ensure the effective management of the risk accepted;
- To identity risk in good time; and
- To minimize losses and reduce current expenses on potential losses.

Risk management structure

The Fund's risk management structure is represented by risk management at a few levels with involvement of the following bodies and business units of the Fund: Board of Directors, Management Board, Risk Committee, Risk Management Function, Internal Audit Service, collegial bodies and other business units.

Board of Directors. The first level of risk management is represented by the Fund's Board of Directors. The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and system of the corporate risk management. The Board of Directors sets the aims of the Fund operations and approves the documents related to risk management, retention ability and risk appetite.

27 Financial Risk Management (continued)

Management Board

The second level of risk management is represented by the Fund's Management Board. The Management Board is responsible for establishment of the effective risk management system and structure for risk control to ensure compliance with the corporate policy requirements. The Management Board is responsible for creation of the "risk awareness" culture, which reflects the Fund's risk management and philosophy. The Management Board is also responsible for implementation of the effective risk management system in which all employees have well-defined responsibilities for risk management and are held liable for proper fulfilment of their duties. The Management Board is authorised to carry out a part of its functions in the area of risk management through the establishment of appropriate committees.

Credit Committee

The Credit Committee is the Fund's permanent body responsible for implementation of the internal credit policy. The Credit Committee competence is limited within the framework of the thresholds set by the Fund's Management Board. The key objective of the Credit Committee is to form a high-quality loan portfolio.

Asset and Liability Management Committee (ALCO)

ALCO is a permanent collegial body of the Fund, which is accountable to the Management Board and which carries out its activity within the powers assigned by the Management Board. ALCO key aims are as follows: to ensure making of timely and appropriate decisions in the sphere of the Fund's asset and liability management; attract partners to cooperate with the Fund; maintain the sufficient level of the financial stability; increase the Fund profitability and minimize risks when making the investment decisions.

Risk Management Department

The third level of the risk management process is represented by the Risk Management Department. The objectives of the Risk Management Department include general risk management and exercise of control over compliance with the current legislation, as well as control over implementation of common principles and methods for identifying, assessing, managing and reporting both financial and non-financial risks.

Internal Audit Function

The Fund's Internal Audit Function, in the course of the risk management, conducts audit of the risk management procedures and risk assessment methods and works out proposals aimed at improvement of the efficiency of risk management procedures. It provides reports on the risk management system for the Fund's Board of Directors and performs other functions in accordance with the approved regulatory documents.

Business Units

One of the important elements in the structure of risk management is the Fund's business units each represented by employee. The business units (risk owners) play a key role in the risk management process. The Fund's employees, on a daily basis, deal with risks, manage risks and monitor their potential impact within their sphere of action. The business units are responsible for implementation of the risk management action plan, timely identification and informing about major risks in their sphere of action and development of proposals related to risk management to be included into the action plan.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in relation to interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Overall responsibility for market risk management is vested in the Management Board, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Department.

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

27 Financial Risk Management (continued)

The Fund also uses different stress tests and back testing to simulate possible financial impact of certain exceptional market scenarios on certain trading portfolios and general position of the Fund. Stress tests make it possible to determine the potential amount of losses that may arise under extreme circumstances. Stress tests used by the Fund include the following: stress tests of the risk factors, as a part of these tests each risk category is subject to stress changes and special stress tests, which include application of possible stress events with regard to certain positions. Back test is the test of accuracy of evaluation of interest rate risk models on the basis of the actual data on the net interest income.

Interest rate risk is the risk that changes in the interest rates will affect the Fund's income or the value of its holdings of financial instruments.

The Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate risk management is based on the principles of the full coverage of expenses – the interest income earned should cover the expenses related to attraction and placement of funds and ensure generation of the net income and competitiveness.

The interest rate risk report presents the distribution of assets, liabilities, off-balance assets and liabilities sensitive to changes in the interest rates grouped into the economically homogeneous and material items, by time periods depending on their maturity dates (in case of fixed rates), or time remaining until the next regular review (in case of floating rates). Time limits and items of the assets and liabilities, or off-balance assets and liabilities subject to accounting may be changed by the Fund's Management Board.

Interest rate risk is managed principally through monitoring interest rate gaps. The table below summarises the Fund's exposure to interest rate risks. The table presents the aggregated amounts of the Fund's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2022						
Total financial assets	192,561,135	1,540,115	6,037,641	8,675,583	210,492,884	419,307,358
Total financial liabilities	(81,477,612)	(763,133)	(484,610)	(19,781,659)	(147,575,598)	(250,082,612)
Net interest sensitivity gap at 31 December 2022	**111,083,523**	**776,982**	**5,553,031**	**(11,106,076)**	**62,917,286**	**169,224,746**
31 December 2021						
Total financial assets	91,592,837	20,332,351	9,357,874	7,746,435	234,585,654	363,615,151
Total financial liabilities	(63,642,083)	(2,569,247)	(83,741)	(254,159)	(169,109,956)	(235,659,186)
Net interest sensitivity gap at 31 December 2021	**27,950,754**	**17,763,104**	**9,274,133**	**7,492,276**	**65,475,698**	**127,955,965**

27 Financial Risk Management (continued)

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2022 and 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

% per annum	2022 Average effective interest rate	2021 Average effective interest rate
Interest bearing assets		
Cash and cash equivalents	14.21%	7.75%
Investment debt securities at fair value through profit or loss	7.68%	5.16%
Investment debt securities at fair value through other comprehensive income	6.15%	8.42%
Investment debt securities at amortised cost	7.21%	7.21%
Due from financial institutions	6.52%	7.77%
Loans and advances to customers	14.49%	16.25%
Other financial assets	-	-
Interest bearing liabilities		
Borrowed funds from Baiterek NMH JSC	6.81%	6.81%
Borrowed funds	0.01-5.5%	0.01-5.5%
Debt securities in issue	11.88%	11.88%
Liabilities under subsidy programs	-	-
Deferred income and provision for credit related commitments	-	-
Other financial liabilities	9%	9%

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises when the actual or forecasted assets denominated in foreign currency are either greater or less than the actual or forecasted liabilities denominated in the same currency. The Fund's Management Board, with due consideration of the currency risk assessment, makes decisions concerning the structure of the Fund's assets and liabilities by the financial instruments in foreign currency, and sets a permissible amount of the currency risk and limit on the open currency position.

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

In thousands of Kazakhstani Tenge	Tenge	US Dollar	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	182,036,514	94	737	182,037,345
Investments in debt securities	16,092,759	3,236,949	-	19,329,708
Due from financial institutions	214,867,224	76,175	-	214,943,399
Due from subsidy programs	183,681	-	-	183,681
Loans and advances to customers	2,600,024	-	-	2,600,024
Other financial assets	213,201	-	-	213,201
Total financial assets	**415,993,403**	**3,313,218**	**737**	**419,307,358**
FINANCIAL LIABILITIES				
Borrowed funds	167,587,686	386,689	-	167,974,375
Debt securities in issue	1,244,178	-	-	1,244,178
Liabilities under subsidy programs	4,913,288	-	-	4,913,288
Deferred income and provision for credit related commitments	75,349,867	-	-	75,349,867
Other financial liabilities	600,904	-	-	600,904
Total financial liabilities	**249,695,923**	**386,689**	**-**	**250,082,612**
Net position before derivatives as at 31 December 2022`	**166,297,480**	**2,926,529**	**737**	**169,224,746**

27 Financial Risk Management (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

In thousands of Kazakhstani Tenge	Tenge	US Dollar	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents	76,881,842	75	466	76,882,383
Investments in debt securities	47,001,624	-	-	47,001,624
Due from financial institutions	239,236,581	67,379	-	239,303,960
Due from subsidy programs	77,899	-	-	77,899
Loans and advances to customers	252,248	-	-	252,248
Other financial assets	97,037	-	-	97,037
Total financial assets	**363,547,231**	**67,454**	**466**	**363,615,151**
FINANCIAL LIABILITIES				
Borrowed funds	168,941,624	360,905	-	169,302,529
Debt securities in issue	1,244,178	-	-	1,244,178
Liabilities under subsidy programs	7,792,965	-	-	7,792,965
Deferred income and provision for credit related commitments	56,861,826	-	-	56,861,826
Other financial liabilities	457,690	-	-	457,690
Total financial liabilities	**235,298,283**	**360,905**	**-**	**235,659,188**
Net position before derivatives as at 31 December 2021	**128,248,948**	**(293,451)**	**466**	**127,955,963**

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Fund's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Fund agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 27. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Fund, with all other variables held constant:

	At 31 December 2022		At 31 December 2021	
In thousands of Kazakhstani Tenge	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 16.47% (2021: strengthening by 3.98%)	385,599	385,599	(9,343)	(9,343)
US Dollar weakening by 16.47% (2021: weakening by 3.98%)	(385,599)	(385,599)	9,343	9,343

The calculation of the strengthening and weakening of the US dollar in 2022 was made in accordance with the internal regulatory documents of the Fund, according to which, due to the increased volatility of foreign exchange rates against the tenge during 2022, it was decided to use a larger percentage of the change compared to 2021 year.

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has developed policies and procedures for the management of credit exposures (both for balance and off-balance positions) and determined the powers related to the decision making by the Board of Directors and Management Board with regard to large loans and established a Credit Committee, which is responsible for making decisions on loan issues within the set limits, loan restructuring and which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

27 Financial Risk Management (continued)

The Fund's credit policy sets the key parameters of lending in terms of credit risk management and is aimed at identification, analysis and management of the credit risks faced by the Fund.

The rules of credit risk management cover the following areas:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (small and medium-sized businesses);
- loan documentation requirements;
- methodology for the credit assessment of counterparty banks, issuers and insurance companies;
- methodology for evaluation of collateral;
- setting of limits on the total credit risks in the amount not exceeding 25% of the Fund's equity; and
- procedures for the ongoing monitoring of loans and other credit exposures.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Fund uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Credit risk management

Credit risk is the single largest risk for the Fund's business; management therefore carefully manages its exposure to credit risk.

Limits

The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: investments in debt securities (government, corporate, municipal bonds, Eurobonds and promissory notes purchased) and loans given to financial institutions.

Scale with a specified range of probabilities of default of financial institutions is disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	AAA – BB+	0.00% - 0.52%;
Good	BB+ – B+	0.53% - 3.81%;
Satisfactory	B, B-	3.82% - 13.68%;
Special monitoring	CCC+ – CCC-	13.69% - 99.9%;
Default	C, D-I, D-II	100%

27 Financial Risk Management (continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Fund: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

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

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Fund defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- high probability of default of the borrower or the borrower is insolvent;
- counterparty debt restructuring
- revocation and/or suspension of the license of the counterparty by the relevant supervisory authority;
- loan is written off or significant provision was created;
- breach of covenants by the borrower;
- default event on other instruments of the borrower;
- disappearance of an active market for a financial asset due to financial difficulties
- conclusion of a concession agreement due to the financial difficulties of the borrower;
- acquisition or creation of financial assets with a significant discount, which may be evidence of a default event of the counterparty.

27 Financial Risk Management (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For due from financial institutions, debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Fund's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Fund decided to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are not assessed whether there has been a SICR.

The Fund considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For SICR assessment the Fund applies following criteria:

- over 30 days past due;
- actual or expected significant change in the borrower's external credit rating;
    - information from available sources on the deteriorating situation of the borrower or about problems in the industry in which the borrower operates;
    - violation of prudential standards of the authorized body for regulation and supervision of the financial market and financial organizations;
    - negative financial result for 2 (two) consecutive quarters;
    - loan restructuring that has a significant impact on credit risk.
- information on other financial instruments of the borrower or issuer.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Fund monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Fund therefore only recognises the cumulative changes in lifetime expected credit losses.

The Fund has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Fund performs an assessment on a portfolio basis for the following types of loans: loans and advances and financial guarantees issued to SMEs. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status.

The Fund performs assessments based on external ratings for financial institutions, debt securities and certain blue-chip corporate customers.

27 Financial Risk Management (continued)

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Fund defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Fund determines the staging of the exposures and measures the loss allowance on a collective basis. The Fund analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month / year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters

The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Fund uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Fund's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on data from international agencies;
- individually defined LGD depending on different factors and scenarios.

The Fund calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products and based on data from international agencies.

ECL measurement for financial guarantees and loan commitments

The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default.

27 Financial Risk Management (continued)

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to loans given to financial institutions, securities and guarantees issued to financial institutions.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Fund regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

Credit risk for off-balance financial instruments is defined as the probability of incurring losses as a result of non-fulfilment of the terms of the contract by another counterparty. The Fund uses the same credit policy for contingent liabilities as for balance sheet financial instruments, based on procedures for approving transactions, using limits to limit risk, and monitoring.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk exists when the maturities of assets and liabilities do not match, which will affect the availability of the sufficient liquid funds in the Fund at the price acceptable for the Fund to settle its balance and off-balance liabilities as they become due. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the financial institutions, including the Fund. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to settle all cash flow obligations as they become due. The Fund's policy on managing liquidity risks is approved by the Board of Directors.

The Fund manages liquidity risk as a part of the Fund's Rules for Liquidity Loss Risk Management approved by the Board of Directors. The Rules determine the key processes and procedure of the liquidity loss risk management as well as function and powers of the Fund's business units involved in this process with a view of effective liquidity loss risk management and ensuring that the Fund has sufficient funds to settle all its liabilities. The Rules are mandatory for use by all employees, business units and collegial bodies of the Fund.

As a party of said Rules the liquidity loss risk is measured and monitored by means of the following tools/analytical reports: statutory and contractual liquidity ratios; analysis of the current balances of liquid funds; planned inflows/outflows of liquid funds; internal liquidity ratios; and liquidity gap analysis. For avoidance of liquid funds surplus or shortage, the Asset and Liability Management Committee monitors the activities related to attraction and use of the liquid funds. Current and short-term liquidity of the Fund is managed by the business unit in charge of risk management on the basis of the analysis of the current balances of liquid finds and planned inflows/outflows of liquid funds. Based on the analysis made, said business unit makes the report *Time Structure of Assets and Liabilities* on the consolidated basis and submits it to the Fund's Management Board.

Asset and Liability Management Committee monitors liquidity risk by means of analysis of the liquidity risk levels to take measures for reduction of the liquidity loss risk of the Fund. Current liquidity is managed by the Treasury, which carries out operations in the financial markets in order to maintain current liquidity and optimize the cash flows.

The liquidity management policy of the Fund requires:

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

27 Financial Risk Management (continued)

The Treasury Department monitors liquidity position in the financial market on a daily basis. Under the normal market conditions, liquidity reports covering the liquidity position are regularly presented to senior management. Decisions on liquidity management policy are made by the Management Board and Asset and Liability Management Committee.

The following tables show the undiscounted cash flows on the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual undiscounted cash flow on the financial liabilities or off-balance liabilities. Future cash flows of the Fund may differ significantly from such analysis.

The maturity analysis for financial liabilities as at 31 December 2022 with regard to maturity terms on the basis of contractual undiscounted payment obligations is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
31 December 2022						
FINANCIAL LIABILITIES						
Borrowed funds	668,294	729,826	823,774	20,639,163	263,488,037	286,349,094
Investments in debt security		44,178	-	-	1,200,000	1,244,178
Liabilities on subsidy programs	4,913,288	-	-	-		4,913,288
Deferred income and provision for credit related commitments	443,092	6,062,012	11,837,965	35,185,689	334,588,761	388,117,519
Other financial liabilities	423,458	31,188	47,664	98,594	-	600,904
Total potential future payments for financial obligations	6,448,132	6,867,204	12,709,403	55,923,446	599,276,798	681,224,983

The maturity analysis for financial liabilities as at 31 December 2021 with regard to maturity terms on the basis of contractual undiscounted payment obligations is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
31 December 2021						
FINANCIAL LIABILITIES						
Borrowed funds	667,028	778,652	470,821	902,030	292,518,273	295,336,804
Investments in debt security	-	-	-	44,178	1,200,000	1,244,178
Liabilities on subsidy programs	5,557,895	2,235,070	-	-	-	7,792,965
Deferred income and provision for credit related commitments	1,752,558	3,357,097	3,361,122	21,347,324	275,460,182	305,278,283
Other financial liabilities	457,689	-	-	-	-	457,689
Total potential future payments for financial obligations	**8,435,170**	**6,370,819**	**3,831,943**	**22,293,532**	**569,178,455**	**610,109,919**

Liquidity requirements for payments under guarantees and letters of credit are significantly lower than the amount of the corresponding commitments presented in the maturity analysis above, as the Fund does not normally expect these commitments to be called upon by third parties.

27 Financial Risk Management (continued)

The Fund does not use the aforementioned analysis of liabilities with regard to maturity terms without discounting for liquidity management. Instead, the Fund controls the expected maturities and the expected liquidity gap, which are presented as of 31 December 2022 in the table below:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2022						
FINANCIAL ASSETS						
Cash and cash equivalents	182,037,345	-	-	-	-	182,037,345
Securities at fair value through profit or loss	-	-	-	-	74,139	74,139
Due from financial institutions	3,105,009	6,789,534	24,078,171	25,424,210	155,546,475	214,943,399
Due from subsidy programs	183,681	-	-	-		183,681
Loans and advances to customers	1,508,972	104,826	112,039	220,402	653,785	2,600,024
Securities at fair value through other comprehensive income	5,525,209	-	3,111,066	-	4,790,413	13,426,688
Securities at amortised cost	-	-	-	-	5,828,881	5,828,881
Other financial assets	200,919	2,210	270	-	9,802	213,201
Total financial assets	**192,561,135**	**6,896,570**	**27,301,546**	**25,644,612**	**166,903,495**	**419,307,358**
FINANCIAL LIABILITIES						
Borrowed funds	791,000	687,767	436,945	19,683,065	146,375,598	167,974,375
Investments in debt security	-	44,178	-	-	1,200,000	1,244,178
Liabilities on subsidy programs	4,909,071	-	-	-		4,909,071
Deferred income and provision for credit related commitments	443,092	6,062,012	11,837,965	35,185,690	334,588,760	388,117,519
Other financial liabilities	423,458	31,188	47,664	98,594	-	600,904
Total potential future payments for financial obligations	**6,566,621**	**6,825,145**	**12,322,574**	**54,967,349**	**482,164,358**	**562,846,047**
Liquidity gap arising from financial instruments	**185,994,514**	**71,425**	**14,978,972**	**(29,322,737)**	**(315,260,863)**	**(143,538,689)**

27 Financial Risk Management (continued)

The Fund manages the negative value of net liquidity through various instruments. The Fund has sufficient resources and will be able to respond in time to possible cash shortages. Also, the Fund has support from the parent company to obtain funding to maintain liquidity.

The expected maturities and the expected liquidity gap as of 31 December 2021 can be represented as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
31 December 2021						
FINANCIAL ASSETS						
Cash and cash equivalents	76,882,383	-	-	-	-	76,882,383
Securities at fair value through profit or loss	-	-	855,623	-	79,188	934,811
Due from financial institutions	2,108,220	4,926,042	3,660,388	7,724,396	220,884,914	239,303,960
Due from subsidy programs	77,899	-	-	-	-	77,899
Loans and advances to customers	232,596	9,338	3,453	5,541	1,320	252,248
Securities at fair value through other comprehensive income	12,234,817	15,394,761	4,838,410	-	8,068,860	40,536,848
Securities at amortised cost	-	-	-	-	5,529,965	5,529,965
Other financial assets	56,922	2,210		16,498	21,407	97,037
Total financial assets	**91,592,837**	**20,332,351**	**9,357,874**	**7,746,435**	**234,585,654**	**363,615,151**
FINANCIAL LIABILITIES						
Borrowed funds	764,673	334,177	83,742	209,981	167,909,956	169,302,529
Investments in debt security	-	-	-	44,178	1,200,000	1,244,178
Liabilities on subsidy programs	5,557,895	2,235,070	-	-	-	7,792,965
Deferred income and provision for credit related commitments	1,752,558	3,357,097	3,361,122	21,347,324	275,460,182	305,278,283
Other financial liabilities	457,690	-	-	-	-	457,690
Total potential future payments for financial obligations	**8,532,816**	**5,926,344**	**3,444,864**	**21,601,483**	**444,570,138**	**484,075,645**
Liquidity gap arising from financial instruments	**83,060,021**	**14,406,007**	**5,913,010**	**(13,855,048)**	**(209,984,484)**	**(120,460,494)**

28 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Fund may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Fund. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Fund management believes that its interpretation of the relevant legislation is appropriate and the Fund's tax positions will be sustained.

Operating lease commitments

The Fund leases a number of premises and vehicles under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Fund will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Fund is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Fund monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Fund reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 27.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Fund uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Outstanding credit related commitments are as follows:

In thousands of Kazakhstani Tenge	Note	31 December 2022	31 December 2021
Guarantees issued		379,112,302	280,534,620
Guarantees issued as collateral of loans		-	20,470,000
Undrawn credit lines		9,005,217	4,273,663
Less: Provision for credit related commitments	16	(34,115,028)	(25,556,498)
Total credit related commitments, net of provision		**354,002,491**	**279,721,785**

28 Contingencies and Commitments (continued)

During 2015, the Fund issued guarantees to "Bank CenterCredit" JSC in respect of credit lines opened by "Bank CenterCredit" JSC in European Bank for Reconstruction and Development (the "EBRD") for the total amount of loans received. The contract was further terminated in January 2022.

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

Movements in provisions for credit related commitments are as follows:

In thousands of Kazakhstani Tenge	**2022**	**2021**
Carrying amount at 1 January	**(25,556,498)**	**(24,585,176)**
(Losses)/recoveries charged to profit or loss	(12,631,863)	1,190,027
Unused amounts reversed	6,242,998	2,187,816
Reserves created from deferred income	(2,169,665)	(4,349,165)
Carrying amount at 31 December	**(34,115,028)**	**(25,556,498)**

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2022 is as follows.

In thousands of Kazakhstani Tenge	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Issued financial guarantees				
Not overdue:	326,302,788	29,658,988	8,467,740	364,429,516
Overdue:				
- less than 31 days overdue	4,411,510	1,207,006	813,455	6,431,971
- 31 to 60 days overdue	-	1,997,660	153,853	2,151,513
- 61 to 90 days overdue	-	843,102	74,664	917,766
- over 91 days overdue	-	-	5,181,536	5,181,536
Unrecognised gross amount	**330,714,298**	**33,706,756**	**14,691,248**	**379,112,302**
Provision for financial guarantees	**(14,715,663)**	**(5,179,335)**	**(14,030,142)**	**(33,925,140)**
Loan commitments				
- B- to B+ rated	5,550,000	-	-	5,550,000
Internal assessment of the Fund				
- Good level	1,200,000	-	-	1,200,000
- Satisfactory level	2,255,217	-	-	2,255,217
Unrecognised gross amount	**9,005,217**	**-**	**-**	**9,005,217**
Provision for loan commitments	**(189,888)**	**-**	**-**	**(189,888)**

28 Contingencies and Commitments (continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2021 is as follows.

In thousands of Kazakhstani Tenge	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Issued financial guarantees				
Not overdue:	221,200,155	46,631,679	5,487,913	273,319,747
Overdue:				
- less than 31 days overdue	2,461,702	1,528,629	305,252	4,295,583
- 31 to 60 days overdue	-	968,126	176,221	1,144,347
- 61 to 90 days overdue	-	376,794	124,637	501,431
- over 91 days overdue	-	-	1,273,511	1,273,511
Unrecognised gross amount	223,661,857	49,505,228	7,367,534	**280,534,619**
Provision for financial guarantees	(11,156,233)	(7,303,151)	(6,814,674)	**(25,274,058)**
Issued financial guarantees against the security of loans				
- B rated	20,470,000	-	-	20,470,000
Unrecognised gross amount	**20,470,000**	-	-	**20,470,000**
Provision for financial guarantees against the security of loans	**(41,977)**	-	-	**(41,977)**
Loan commitments				
- BB- to BB+ rated	318,663	-	-	318,663
Internal assessment of the Fund				
- Good level	2,500,000	-	-	2,500,000
- Satisfactory level	1,455,000	-	-	1,455,000
Unrecognised gross amount	**4,273,663**	-	-	**4,273,663**
Provision for loan commitments	(240,463)	-	-	**(240,463)**

29 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Kazakhstani Tenge	2022 Level 1	2022 Level 2	2021 Level 1	2021 Level 2
FINANCIAL ASSETS				
Securities at fair value through profit or loss				
- Corporate bonds	-	-	-	-
- Kazakhstani government bonds	-	74,139	-	934,811
Investment securities available for sale				
- NBRK notes	-	49,676	-	27,542,151
- Corporate bonds	-		-	-
- Kazakhstan government bonds	-	9,605,874	-	6,087,499
- Bonds of NWF "Samruk-Kazyna" JSC	-	3,236,949	-	3,420,495
- Bonds of second-tier banks of the Republic of Kazakhstan	-	534,189	-	1,543,324
- Bonds of foreign banks and financial institutions	-	-	-	1,943,378
Total assets recurring fair value measurements	**-**	**13,500,827**	**-**	**41,471,658**

The fair value of investment securities was estimated using the rates of Kazakhstan Stock Exchange JSC. Due to insignificant trading volumes with similar instruments, these investment securities are set at level 2.

29 Fair Value Disclosures (continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value as of 31 December 2022 are as follows:

	31 December 2022			
In thousands of Kazakhstani Tenge	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents	52,589,572	129,447,773	-	182,037,345
Due from financial institutions				
- Loans given to financial institutions and loans given in the framework of Islamic finance	-	100,851,610	-	169,819,418
- Placements with banks with initial maturity more than 3 months	-	45,123,981		45,123,981
Due from subsidy programs				
- Due from subsidy programs	-	-	183,681	183,681
Loans and advances to customers				
- Loans to small and medium size entities	-	-	2,600,024	2,600,024
Investment securities at amortised cost	-	-	5,828,881	5,828,881
Other financial assets				
- Other	-	-	213,201	213,201
Total assets carried at amortised cost	**52,589,572**	**275,423,364**	**8,825,787**	**405,806,531**
FINANCIAL LIABILITIES				
Borrowed funds				
- Baiterek NMH JSC	-	53,519,011	-	102,446,602
- Samruk-Kazyna NWF JSC	-	19,128,159	-	19,416,325
- Municipal authorities	-	29,782,500	-	46,111,448
- Investments in debt securities			1,244,178	1,244,178
Liabilities on subsidy programs				
- Municipal authorities	-	-	175,725	175,725
- Banks	-	-	4,737,563	4,737,563
Deferred income and provision for credit related commitments				
- Deferred income	-	-	41,234,839	41,234,839
- Financial guarantees	-	-	34,115,028	34,115,028
Other financial liabilities				
- Other	-	-	600,904	600,904
Total liabilities carried at amortised cost	**-**	**102,429,670**	**82,108,237**	**250,082,612**

29 Fair Value Disclosures (continued)

	31 December 2021			
In thousands of Kazakhstani Tenge	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents	2,361,621	74,520,763	-	76,882,383
Due from financial institutions				
- Loans given to financial institutions and loans given in the framework of Islamic finance	-	181,681,531	-	234,179,331
- Placements with banks with initial maturity more than 3 months	-	5,124,628		5,124,629
Due from subsidy programs				
- Due from subsidy programs	-	-	77,899	77,899
Loans and advances to customers				
- Loans to small and medium size entities	-	-	252,248	252,248
Investment securities at amortised cost	-	-	5,529,965	5,529,965
Other financial assets				
- Other	-	-	97,037	97,037
Total assets carried at amortised cost	**2,361,621**	**261,326,922**	**5,957,149**	**322,143,492**
FINANCIAL LIABILITIES				
Borrowed funds				
- Baiterek NMH JSC	-	53,741,777	-	96,380,615
- Samruk-Kazyna NWF JSC	-	19,145,461	-	19,416,325
- Municipal authorities	-	35,351,529	-	53,505,589
- Investments in debt securities			1,244,178	1,244,178
Liabilities on subsidy programs				
- Municipal authorities	-	-	2,235,070	2,235,070
- Banks	-	-	5,557,895	5,557,895
Deferred income and provision for credit related commitments				
- Deferred income	-	-	31,305,328	31,305,328
- Financial guarantees	-	-	25,556,498	25,556,498
Other financial liabilities				
- Other	-	-	457,690	457,690
Total liabilities carried at amortised cost	**-**	**108,238,767**	**66,356,659**	**235,659,188**

Cash and cash equivalents

Cash in the National Bank of the Republic of Kazakhstan with a maturity of less than three months is set at Level 1, all other funds at Level 2. The fair value of these funds is equal to the book value.

Loans and advances to customers, financial institutions and borrowed funds

The fair value measurement at Level 2 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of fixed interest rate instruments that are not quoted in an active market was estimated based on estimated future cash flows discounted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

Investment securities at amortised cost

The fair value measurement at Level 3 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of fixed interest rate instruments that are not quoted in an active market was estimated based on estimated future cash flows discounted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

Liabilities on subsidy programs and deferred income and provision for credit related commitments with a maturity of less than a year are set at Level 3. The fair value of these funds is equal to the book value.

30 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2022:

In thousands of Kazakhstani Tenge	Measured at fair value through profit or loss (designated)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	-	-	34,543,742	34,543,742
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-	52,589,572	52,589,572
- Reverse sale and repurchase agreements (Reverse Repo)	-	-	94,904,031	94,904,031
Securities at fair value through profit or loss				
- Kazakhstani government bonds	74,139	-	-	74,139
Due from financial institutions				
- Loans given to financial institutions	-	-	153,962,431	153,962,431
- Loans given in the framework of Islamic finance	-	-	15,856,987	15,856,987
- Placements with other banks with original maturities of more than three months	-	-	45,123,981	45,123,981
Due from subsidy programs				
- Due from subsidy programs	-	-	183,681	183,681
Loans and advances to customers				
- Loans to small and medium size entities	-	-	2,600,024	2,600,024
Investment securities at fair value through other comprehensive income				
- NBRK notes	-	49,676	-	49,676
- Kazakhstani government bonds	-	9,605,874	-	9,605,874
- Corporate bonds	-	3,236,949	-	3,236,949
- Bonds of international financial organizations	-	534,189	-	534,189
Investment securities at amortised cost				
- Corporate bonds	-	-	5,007,962	5,007,962
- Bonds of other corporate issuers	-	-	820,919	820,919
Other financial assets				
- Other	-	-	213,201	213,201
TOTAL FINANCIAL ASSETS	**74,139**	**13,426,688**	**405,806,531**	**419,307,358**

30 Presentation of Financial Instruments by Measurement Category (continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

In thousands of Kazakhstani Tenge	Measured at fair value through profit or loss (designated)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
- Current accounts with banks	-	-	10,380,343	10,380,343
- Cash balances with the NBRK (other than mandatory reserve deposits)	-	-	2,361,621	2,361,621
- Reverse sale and repurchase agreements (Reverse Repo)	-	-	64,140,419	64,140,419
Securities at fair value through profit or loss				
- Kazakhstani government bonds	934,811	-	-	934,811
Due from financial institutions				
- Loans given to financial institutions	-	-	218,341,052	218,341,052
- Loans given in the framework of Islamic finance	-	-	15,838,279	15,838,279
- Placements with other banks with original maturities of more than three months	-	-	5,124,629	5,124,629
Due from subsidy programs				
- Due from subsidy programs	-	-	77,899	77,899
Loans and advances to customers				
- Loans to small and medium size entities	-	-	252,248	252,248
Investment securities at fair value through other comprehensive income				
- NBRK notes	-	27,542,152	-	27,542,152
- Kazakhstani government bonds	-	6,087,499	-	6,087,499
- Corporate bonds	-	4,963,820	-	4,963,820
- Bonds of international financial organizations	-	1,943,378	-	1,943,378
Investment securities at amortised cost				
- Corporate bonds	-	-	4,712,972	4,712,972
- Bonds of other corporate issuers	-	-	816,992	816,992
Other financial assets				
- Other	-	-	107,451	107,451
TOTAL FINANCIAL ASSETS	**934,811**	**40,536,849**	**322,153,905**	**363,625,565**

As at 31 December 2022 and 31 December 2021, all liabilities of the Fund are measured at amortised cost.

31 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Cash and cash equivalents (contractual interest rate: 0%)	-	845,294	52,589,572
Due from banks (negotiated interest rate: 10%)	-	45,050,839	-
Investment securities at fair value through profit or loss (contractual interest rate: 4.93%-7.68%)	-	-	74,139
Investment securities at fair value through profit or loss (contractual interest rate: 0%)	-	-	12,892,499
Due from subsidy programs			
Current income tax prepayment (interest rate: 15%)	-	-	633,394
Deferred tax asset (interest rate: 20%)	-	-	-
Other financial assets (interest rate: 0%)	-	46,172	-
Other assets	-	-	177,662
Borrowed funds (contractual interest rate: 0.1%-5.5%)	102,446,602	-	65,527,773
Liabilities on subsidy programs (contractual interest rate: 0%)	-	-	175,714
Deferred tax liability	-	-	1,835,530
Other financial liabilities	-	59,930	-
Other liabilities	-	15	145,288

Other related parties include the Government of the Republic of Kazakhstan, state-owned and quasi-state companies and other companies that have identified signs of being related to the Fund.

The income and expense items with related parties for 2022 were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Interest income	-	1,657,534	1,894,534
Interest expense	(6,582,136)	(7,760)	(1,069,717)
Losses less gains from securities at fair value through profit or loss	-	-	12,497
Fee and commission income	-	-	625,600
Income net of expenses/(losses net of income) from foreign exchange operations	-	-	379,876
General and administrative expenses		(53,869)	(135,858)
Other operating (expense)/income			
Provision for loan portfolio impairment	-	(4,832,360)	-
Provision for cash impairment	-	(188)	-
Income tax expense	-	-	(12,481,494)
Other (expense)/income	-	546	2,677

31 Related Party Transactions (continued)

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Cash and cash equivalents (contractual interest rate: 0%)	-	301,281	2,361,621
Investment securities at fair value through profit or loss (contractual interest rate: 4.93%-7.68%)	-	-	934,811
Investment securities at fair value through profit or loss (contractual interest rate: 0%)	-	-	37,050,145
Due from subsidy programs	-	10,414	-
Current income tax prepayment (interest rate: 15%)	-	-	3,357,383
Deferred tax asset (interest rate: 20%)	-	-	3,132,896
Other financial assets (interest rate: 0%)	-	-	212
Other assets	-	661	297,771
Borrowed funds (contractual interest rate: 0.1%-5.5%)	96,380,615	-	72,921,914
Liabilities on subsidy programs (contractual interest rate: 0%)	-	-	2,235,059
Other financial liabilities	-	1,427	-
Other liabilities	-	-	98,873

The income and expense items with related parties for 2021 were as follows:

In thousands of Kazakhstani Tenge	Sole Shareholder	Entities under common control	Other related parties
Interest income	-	-	2,730,337
Interest expense	(6,147,221)	(2,803)	(1,070,385)
Losses less gains from securities at fair value through profit or loss	-	-	36,705
Fee and commission income	-	-	625,600
Income net of expenses/(losses net of income) from foreign exchange operations	-	-	45,766
General and administrative expenses	(69)	(58,175)	(145,148)
Other operating (expense)/income	-	10,257	-
Income tax expense	-	-	(5,548,645)
Other (expense)/income	-	-	2,126

In thousands of Kazakhstani Tenge	2022	2021
Amounts lent to related parties during the year	-	-
Amounts repaid by related parties during the year	-	-

Related party transactions are not collateralised. Balances with related parties are not credit impaired.

Key management compensation

Key management includes following parties: members of Board of Directors, member of Management Board, Managing Directors and Chief of staff.

31 Related Party Transactions (continued)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	**2022**	**2021**
Short-term benefits:		
- Salaries	266,658	234,414
- Short-term bonuses	79,103	67,935
- Benefits in-kind	2,984	2,740
Total	**348,745**	**305,089**

32 Events after the End of the Reporting Period

There have been no significant events since the end of the reporting period.