KASPI.KZ
JOINT STOCK COMPANY

Consolidated Financial Statements
For the years ended
31 December 2021 and 2020

Kaspi.kz Joint Stock Company

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Kaspi.kz Joint Stock Company

Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the Years Ended 31 December 2021 and 2020

Management of Kaspi.kz JSC is responsible for the preparation of the consolidated financial statements that presents fairly the financial position of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group") as at 31 December 2021 and the related consolidated statements of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

These consolidated financial statements for the year ended 31 December 2021 were approved by the Chairman of the Management Board, the Chief Financial Officer and the Chief Accountant on 25 February 2022 and will be provided to the shareholders for approval in accordance with the requirements of the legislation of the Republic of Kazakhstan.

On behalf of the Management:

Mikheil Lomtadze
Chairman of the Management Board

Tengiz Mosidze
Chief Financial Officer

Nailya Ualibekova
Chief Accountant

25 February 2022
Almaty, Kazakhstan

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kaspi.kz Joint Stock Company

Opinion

We have audited the consolidated financial statements of Kaspi.kz Joint Stock Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of loans to customers under IFRS 9 Financial instruments ("IFRS 9") As disclosed in Note 12 as at 31 December 2021, loans to customers amounted to KZT 2,430,737 million, net of the related allowance for impairment losses of KZT 142,416 million. The assessment of the measurement of expected credit losses require considerable judgment in analyzing all reasonable and supportable information at the reporting date. Key area of judgement included measuring the amount of expected credit losses by assessing the probability of a loan falling into default and the amount of recoveries expected from defaulted loans. Due to the significance of the loans' balances, magnitude of estimation uncertainties, and the complexity of judgements applied by management in measuring expected credit losses, we identified impairment of loans as a key audit matter.	The audit procedures performed in this area, included: • Obtaining an understanding of the loan loss provisioning process, particularly over measurement and recognition of allowances for expected credit losses. It included an assessment of the design and implementation of relevant controls over the expected credit loss model, including model governance and mathematical accuracy; • Assessment of the provisioning methodology developed for calculation of impairment losses in accordance with the requirements outlined in IFRS 9; • Assessment of the reasonableness of management's assumptions and input data used in the model, the probability of a loan falling into default, assessment of any recoveries expected from defaulted loans and forecasted macroeconomic variables with the involvement of our internal specialists against requirements of the accounting standards. We tested the underlying statistical data, represented by the principle balances, including the overdue principle and interest and allocation of loans by days in arrears, on a sample basis; • Testing of operating effectiveness of certain IT controls over data transfer, information capture and processing in the generation of the statistical data, represented by the principle balances, including overdue principal and allocation of loans by days in arrears. Consideration of the adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9 on expected credit loss. We found no material exceptions in these tests.

Other Information – Annual Report

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Zhangir Zhilysbayev
Engagement Partner
Qualified Auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director
Deloitte LLP

Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
No. 0000015, type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

25 February 2022
Almaty, Kazakhstan

Kaspi.kz Joint Stock Company

Consolidated Statements of Profit or Loss
For the Years Ended 31 December 2021 and 2020
(in millions of KZT, except for earnings per share which are in KZT)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020*
REVENUE	4,5	**884,822**	**602,869**
Interest revenue		422,075	322,913
Fees & commissions		191,831	165,450
Seller fees		149,070	63,196
Transaction & membership revenue		175,901	94,921
Rewards		(51,981)	(38,568)
Other gains (losses)		(2,074)	(5,043)
COST OF REVENUE	6	**(244,862)**	**(199,313)**
Interest expenses		(171,491)	(139,002)
Transaction expenses		(16,542)	(14,074)
Operating expenses		(56,829)	(46,237)
TOTAL NET REVENUE		**639,960**	**403,556**
Technology & product development		(44,388)	(30,818)
Sales & marketing		(8,702)	(7,191)
General & administrative expenses		(23,685)	(20,101)
Provision expense	7	(34,383)	(27,622)
OPERATING INCOME		**528,802**	**317,824**
Income tax	8	(93,588)	(54,476)
NET INCOME		**435,214**	**263,348**
Attributable to:			
Shareholders of the Company		431,914	260,964
Non-controlling Interests		3,300	2,384
NET INCOME		**435,214**	**263,348**
Earnings per share			
Basic (KZT)	9	**2,247**	**1,361**
Diluted (KZT)	9	**2,222**	**1,347**

*As reclassified, see Note 3

On behalf of the Management:

Mikheil Lomtadze
Chairman of the Management Board

Tengiz Mosidze
Chief Financial Officer

Nailya Ualibekova
Chief Accountant

The notes on pages 12-69 form an integral part of these consolidated financial statements.

Kaspi.kz Joint Stock Company

Consolidated Statements of Other Comprehensive Income
For the Years Ended 31 December 2021 and 2020
(in millions of KZT)

	Year ended 31 December 2021	Year ended 31 December 2020
NET INCOME	**435,214**	**263,348**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Movement in investment revaluation reserve for equity instruments at FVTOCI	86	(5)
Items that may be reclassified subsequently to profit or loss:		
Movement in investment revaluation reserve for debt instruments at FVTOCI:		
(Losses)/gains arising during the period, net of tax KZT Nil	(2,201)	3,609
Foreign exchange differences on translation of foreign operations	(18)	-
Expected credit recoveries recognised in profit or loss	43	1,846
Reclassification of gains included in profit or loss, net of tax KZT Nil	(511)	(701)
Other comprehensive (loss)/gain for the year	(2,601)	4,749
TOTAL COMPREHENSIVE INCOME	**432,613**	**268,097**
Attributable to:		
Shareholders of the Company	429,340	265,663
Non-controlling Interests	3,273	2,434
TOTAL COMPREHENSIVE INCOME	**432,613**	**268,097**

On behalf of the Management:

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Chief Financial Officer

Nailya Ualibekova
Chief Accountant

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Kaspi.kz Joint Stock Company

Consolidated Statements of Financial Position
As at 31 December 2021 and 2020
(in millions of KZT)

	Notes	31 December 2021	31 December 2020
ASSETS:			
Cash and cash equivalents	10	342,101	330,409
Mandatory cash balances with National Bank of the Republic of Kazakhstan		32,734	27,659
Due from banks		50,903	44,259
Investment securities and derivatives	11	607,417	869,572
Loans to customers	12,23	2,430,737	1,404,554
Property, equipment and intangible assets	13	85,101	70,016
Other assets	14	58,931	51,645
Assets classified as held for sale	1	-	8,628
TOTAL ASSETS		**3,607,924**	**2,806,742**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	15	76,492	-
Customer accounts	16,23	2,763,043	2,150,581
Debt securities issued	17	139,711	139,111
Other liabilities	18	56,318	41,343
Subordinated debt	19	67,665	78,009
Liabilities directly associated with the assets classified as held for sale	1	-	3,038
TOTAL LIABILITIES		**3,103,229**	**2,412,082**
EQUITY:			
Share capital	20	97,530	95,825
Additional paid-in-capital		506	506
Revaluation reserve of financial assets		2,597	5,171
Share-Based Compensation reserve	21	21,242	8,788
Retained earnings		377,852	280,828
Total equity attributable to Shareholders of the Company		499,727	391,118
Non-controlling interests		4,968	3,542
TOTAL EQUITY		**504,695**	**394,660**
TOTAL LIABILITIES AND EQUITY		**3,607,924**	**2,806,742**

On behalf of the Management:

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Chairman of the Management Board

Tengiz Mosidze
Chief Financial Officer

Nailya Ualibekova
Chief Accountant

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Kaspi.kz Joint Stock Company

Consolidated Statements Of Changes in Equity
For the Years Ended 31 December 2021 and 2020
(in millions of KZT)

	Issued capital	Treasury shares	Additional paid-in-capital	Revaluation reserve of financial assets and other reserves	Share-Based Compensation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 31 December 2019	**130,144**	**(34,319)**	**506**	**472**	**-**	**195,232**	**292,035**	**3,587**	**295,622**
Net income	-	-	-	-	-	260,964	260,964	2,384	263,348
Other comprehensive income	-	-	-	4,699	-	-	4,699	50	4,749
Total comprehensive income	**-**	**-**	**-**	**4,699**	**-**	**260,964**	**265,663**	**2,434**	**268,097**
Dividends declared	-	-	-	-	-	(175,368)	(175,368)	-	(175,368)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(2,479)	(2,479)
Share-based compensation reserve	-	-	-	-	8,788	-	8,788	-	8,788
Balance at 31 December 2020	**130,144**	**(34,319)**	**506**	**5,171**	**8,788**	**280,828**	**391,118**	**3,542**	**394,660**
Net income	-	-	-	-	-	431,914	431,914	3,300	435,214
Other comprehensive loss	-	-	-	(2,574)	-	-	(2,574)	(27)	(2,601)
Total comprehensive income	**-**	**-**	**-**	**(2,574)**	**-**	**431,914**	**429,340**	**3,273**	**432,613**
Dividends declared	-	-	-	-	-	(340,362)	(340,362)	-	(340,362)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(1,847)	(1,847)
Share options accrued	-	-	-	-	19,631	-	19,631	-	19,631
Share options exercised	-	1,705	-	-	(7,177)	5,472	-	-	-
Balance at 31 December 2021	**130,144**	**(32,614)**	**506**	**2,597**	**21,242**	**377,852**	**499,727**	**4,968**	**504,695**

On behalf of the Management:

Mikheil Lomtadze
Chairman of the Management Board

Tengiz Mosidze
Chief Financial Officer

Nailya Ualibekova
Chief Accountant

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Kaspi.kz Joint Stock Company

Consolidated Statements of Cash Flows
For the Years Ended 31 December 2021 and 2020
(in millions of KZT)

	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from loans to customers	334,300	256,824
Other interest received	30,747	16,608
Interest paid	(161,369)	(129,255)
Expenses paid on obligatory insurance of individual deposits	(6,688)	(5,721)
Fees & commissions received	191,831	165,450
Seller fees received	149,070	63,188
Transaction & membership revenue received	178,400	99,268
Fees & commissions paid	(21,726)	(53,309)
Other income received	10,585	7,778
Operating expenses paid	(153,421)	(87,200)
Cash flows from operating activities before changes in operating assets and liabilities	551,729	333,631
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Mandatory cash balances with NBRK	(5,075)	(2,416)
Financial assets at FVTPL	(4,296)	3,844
Due from banks	(5,520)	2,869
Loans to customers	(1,057,590)	(143,528)
Other assets	(11,663)	896
Increase/(decrease) in operating liabilities:		
Due to banks	76,430	(3,000)
Customer accounts	597,542	489,343
Financial liabilities at FVTPL	(585)	(5,846)
Other liabilities	14,500	(2,289)
Net cash inflow from operating activities before income tax	**155,472**	**673,504**
Income tax paid	(85,121)	(55,775)
Net cash inflow from operating activities	**70,351**	**617,729**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(24,901)	(18,189)
Proceeds on sale of property and equipment	383	694
Proceeds on sale of financial assets at FVTOCI	1,362,302	396,615
Purchase of financial assets at FVTOCI	(1,047,426)	(743,169)
Acquisition of subsidiary, net of cash acquired	(5,110)	(662)
Proceeds on sale of subsidiary	4,500	-
Net cash inflow/(outflow) from investing activities	**289,748**	**(364,711)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(340,362)	(175,368)
Dividends paid by subsidiary to non-controlling interest	(1,847)	(2,125)
Repayment of subordinated debt	(10,371)	-
Net cash outflow from financing activities	**(352,580)**	**(177,493)**
Effect of changes in foreign exchange rate on cash and cash equivalents	4,174	15,744
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,693	91,269
CASH AND CASH EQUIVALENTS, beginning of period	330,409	239,140
CASH AND CASH EQUIVALENTS, end of period	**342,101**	**330,409**

On behalf of the Management:

Mikheil Lomtadze
Chairman of the Management Board

Tengiz Mosidze
Chief Financial Officer

Nailya Ualibekova
Chief Accountant

The notes on pages 12-69 form an integral part of these consolidated financial statements.

1. Corporate information

Overview

Kaspi.kz operates the Kaspi.kz Super App, the leading mobile app in Kazakhstan and the gateway to all Kaspi.kz products and services.

Through the Super App users can access Kaspi.kz's Payments, Marketplace and Fintech Platforms. The app is designed so that the growth and development of one service contributes to the growth and development of other services, creating powerful network effects. The popularity of the Super App has helped each platform achieve market leadership.

Highly relevant digital products and services make Kaspi.kz integral to the daily lives of both consumers and merchants in Kazakhstan. The combination of scale with both consumers and merchants, joined by a proprietary payments network makes our business model unique.

Our mission is to improve people's lives by developing innovative products and services. Going forward we will maintain a singular focus on development of innovative digital products around regular needs of our consumers and merchants. Our technologically advanced products transform the way consumers pay, shop and manage their personal finances, help merchants accelerate their growth and allow us to make a significant contribution to digital transformation in our daily lives.

Kaspi.kz Segments

Kaspi.kz is comprised of the following three market leading platforms centered around our customers' everyday needs:

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital transactions. We offer our customers a proprietary technology platform to both pay and receive payments for goods and services, as well as to transfer and withdraw money. Consumers can transact with merchants and amongst themselves using services including the Kaspi.kz Super App, Kaspi QR Scan to Pay, Kaspi Gold debit and virtual card, or any bank card. Merchants can accept payments from consumers using Kaspi Pay POS Solutions, Kaspi QR Checkout and Kaspi Bill Payments, amongst a wide suite of other products.

  Following our recent acquisition of Portmone Group, we have entered the Ukrainian market and plan to launch payments services for merchants and consumers.

- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and consumers to buy a broad selection of products and services offered by a variety of merchants. We help merchants increase their sales by linking them to our technology, Payments Platform, Buy Now Pay Later consumer finance products, marketing and Kaspi Smart Logistics. Fulfilment options include in-store pick up, delivery by merchants, Kaspi Postomate and delivery powered by Kaspi.kz.

In 2020 we launched Kaspi Travel, initially offering domestic and international flight tickets through our Super App and in 2021 added domestic rail bookings in line with our plan to buildout a full online travel proposition.

In Azerbaijan, we operate a marketplace platform encompassing the country's leading real estate, new and used cars, new and used goods mobile classified apps.

- *Fintech Platform* enables customers to manage their personal finances online and access consumer finance and deposit products primarily through the Kaspi.kz Super App. Our Buy Now Pay Later consumer finance products are also strategically integrated around the product and merchant selection on our Marketplace Platform. This allows customers to shop and access financing seamlessly and then pay over time in affordable monthly installments. In 2020 we broadened our Fintech proposition to include working capital and micro finance products for merchants and these new products are scaled rapidly in 2021.

Information about the group of companies

Kaspi.kz Joint Stock Company ("the Company") was incorporated in the Republic of Kazakhstan in 2008. The Company is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market ("the FMRDA"). The registered address of the Company is 154A, Nauryzbai Batyr street, Almaty, 050013, the Republic of Kazakhstan. During 2020 and 2021 changes in the Group structure were as follows:

In August 2020, Kaspi Pay LLC, a separate legal entity fully owned by Kaspi.kz, was established. Kaspi Pay incorporates our Payments Platform technology and benefits from greater flexibility to offer innovative payment products to customers including Kaspi.kz, third-party online and offline merchants and financial institutions, as well as pursuing M&A, joint ventures and strategic partnerships in Kazakhstan and across the CIS region.

In June 2020, the Bank entered into a preliminary agreement to sell its subsidiary IC "Basel" JSC to an unrelated third party. As at 31 December 2020, assets of the subsidiary IC "Basel" JSC include financial assets measured at fair value through other comprehensive income, were KZT 7,407 million, property, equipment and intangible assets, were KZT 743 million and other assets of KZT 478 million. Liabilities included insurance reserves of KZT 2,944 million and other liabilities of KZT 94 million.

As at 31 December 2020, assets and liabilities of IC "Basel" JSC were classified as assets held for sale and liabilities associated with assets classified as held for sale in accordance with IFRS 5 in these consolidated financial statements. On 26 January 2021, the sale was completed. As a result, no gain/loss was recognised by the Bank as net assets approximated the fair value of consideration received. IC "Basel" JSC was part of the Group's Fintech segment.

(in millions of KZT)

On 8 October 2021, the Company acquired 100% of Portmone Group. This transaction was accounted as an asset acquisition as the Group didn't acquire any substantive processes or activities that would constitute a "business". Substantially all of the consideration paid has been allocated to the cost of intangible assets acquired, which is mainly represented by its customer base and software.

In October 2021, the Group entered into an agreement to acquire 100% of JSC BTA Bank Ukraine from an unrelated third party. As at the date of approval of these consolidated financial statements, completion of the acquisition is expected in the 1st half 2022 and is subject to receipt of the required regulatory approvals.

Kaspi.kz Joint Stock Company is the parent of the following directly and indirectly held subsidiaries:

Subsidiary	**Type of operation**	**Country of operation**	**Ownership as at 31 December 2021**	**Ownership as at 31 December 2020**
Kaspi Pay LLC	Payment processing services	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Magazin LLC	E-commerce	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Travel LLC	Online travel	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Bank JSC	Banking	Kazakhstan	Indirectly (98.95%)	Indirectly (98.95%)
ARK Balance LLC	Distressed asset management	Kazakhstan	Indirectly (100%)	Indirectly (98.95%)
Kaspi Office LLC	Real estate	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Group JSC	Holding Company	Kazakhstan	Directly (100%)	Directly (100%)
IC Basel JSC	Insurance	Kazakhstan	-	Indirectly (98.95%)
OOO Digital Classifieds	E-commerce	Azerbaijan	Indirectly (100%)	Directly (100%)
Portmone Group	Payment processing services	Ukraine	Indirectly (100%)	-

The shareholders' structure was as follows:

	31 December 2021 %	**31 December 2020 %**
Ultimate shareholders:		
Baring Vostok Funds	28.71	31.07
Kim Vyacheslav	24.13	24.52
Mikheil Lomtadze	23.30	22.92
Public Investors	21.01	18.83
Management	2.85	2.66
Total	**100.00**	**100.00**

Operating environment

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

To address spikes in COVID-19 cases in Kazakhstan, the Government continues to vary restrictions on offline activity. As the business of the Group is concentrated on online services, there has been no material impact from the COVID-19 pandemic on operating activities of the Group and its financial statements in 2021.

The Management's analysis of the Group's liquidity and capital position as at 31 December 2021, demonstrates that the Group has sufficient liquidity buffer and will continue to comply with regulatory requirements, including liquidity risk and capital adequacy ratios, for the foreseeable future. The Group has reflected the most recent macroeconomic outlooks, as well as actual customers' loan repayment statistics in its ECL estimates.

These consolidated financial statements were approved by the Chairman of the Management Board, the Chief Financial Officer and the Chief Accountant on 25 February 2022 and will be provided to the shareholders for approval at the annual general meeting of shareholders in accordance with the requirements of the legislation of the Republic of Kazakhstan.

2. Basis of presentation

Foreign currency translation

For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in Kazakhstani tenge which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). In preparing the financial statements of each individual entity, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates or exchange rates prevailing at the reporting date. Transactions in foreign currencies are initially recorded at their spot rates at the date of the transaction.

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

Rates of exchange

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

	31 December 2021	31 December 2020
KZT/USD	431.80	420.91
KZT/EUR	489.10	516.79

Going concern

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

3. Significant accounting policies

Basis of accounting

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

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

Offsetting

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

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Kaspi.kz Joint Stock Company ("the Company") and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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

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

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Leases

The Group as lessee

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

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

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

Cash and cash equivalents

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

Mandatory cash balances with NBRK

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

Due from banks

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

Property, equipment and intangible assets

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

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

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

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

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

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

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

Investment property

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

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

The depreciation expense and payment of taxes associated with ownership of investment property are included in general and administrative expenses. Investment property is disclosed within other non-financial assets in the consolidated financial statements (Note 14).

Non-current assets held for sale

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

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

Impairment of non-financial assets

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Operating taxes

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

Provisions

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

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

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

Share-based compensation

Equity-settled share-based payments ("share options") are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

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

Contingencies

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

Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

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

Expected credit loss ("ECL") measurement – definitions

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

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

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

Default and credit-impaired assets

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

For individually significant loans (except interbank exposures):

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

For homogeneous loans:

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

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

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

Significant increase in credit risk ("SICR")

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

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

For individually significant loans:

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

For homogeneous loans:

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

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

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

ECL measurement – description of estimation techniques

General principle

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

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

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

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

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

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

Macroeconomic overlay and macroeconomic scenarios

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

The List of Macro-Economic Indicators

- Real GDP growth;
- Unemployment.

ECL measurement – description of estimation techniques

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

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

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

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

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

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

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

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

Modification of loans to customers

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

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

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

Write off of loans to customers

Loans are written off against the allowance for impairment losses. Decision to write off is taken by the Credit Committee and for loans at overdue more than one year. However write off of loans does not indicate that no other actions will be undertaken to collect the loans. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

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

Derecognition of financial liabilities

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

Recognition of income and expense

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

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

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

Fees and commissions that are included in the effective interest rate are recognised in accordance with IFRS 9, all other fees and commissions are accounted for in accordance with IFRS 15.

Revenue recognition

The Group recognised revenue from the following major sources:

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

Seller fees includes fees paid by merchants from shopping transaction originated during both online and in store shopping. The Group earns seller fees when transactions are completed on the Marketplace Platform and are generally determined as a percentage based on the value of merchandise and services being sold by merchants. Seller fees are recognised when the services are rendered, which generally occurs upon delivery of the related products and services to the customer.

(in millions of KZT)

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

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

Rewards are designed to change customer behavior and promote daily use of our Super App and ensure growth in customer engagement across all our platforms. Retail customers of the Group accumulate bonuses for purchases/transactions made with merchants that are also customers of the Group. Retail customers can then use bonuses earned for future purchases/transactions. Future financial costs due to the bonuses granted are considered paid to customers, and according to IFRS 15 "Revenue from contracts with customers" these expenses are presented as an adjustment to revenue.

Change in Revenue Recognition

In the consolidated financial statements for the year ended 31 December 2021, the Group has changed the presentation of its engagement-based rewards program Kaspi Bonus.

The management believes that the presentation of rewards earned by retail customers of the Group on purchases/transactions from merchants, as an adjustment to revenue more appropriately reflects the requirements of IFRS 15 on revenue accounting.

This change in accounting policy has no net income or cash flow impact for the Group.

The following changes have been made to the consolidated financial statements for the year ended 31 December 2020 to conform to the amended accounting policies in 2021:

	For the year ended 31 December 2020 As previously reported	**Reclassification amount**	**For the year ended 31 December 2020** As reclassified
Revenue	**641,437**	**(38,568)**	**602,869**
Rewards	-	(38,568)	(38,568)
Net Revenue	**442,124**	**(38,568)**	**403,556**
Sales and marketing	(45,759)	38,568	(7,191)

Share capital and share premium

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

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

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

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

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include revaluation reserve of financial assets and other reserves comprise changes in fair value of financial assets at fair value through other comprehensive income investments and allowance for impairment losses for debt instruments measured at fair value through other comprehensive income, and foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operation.

Retirement and other benefit obligations

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

Areas of significant management judgment and sources of estimation uncertainty

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

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

Critical judgments in applying accounting policies

The critical judgments, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements. Significant judgments have been made in the business model assessment, significant increase in credit risk, models and assumptions used which are discussed in Note 3 below.

Key sources of estimation uncertainty

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

Assessment of significant increase of credit risk

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

Incorporation of forward looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 26 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 26 for more details on ECL and Note 24 for more details on fair value measurement.

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 24 for more details on fair value measurement.

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

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

Adoption of new and revised Standards

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

The following amendments and interpretations are effective for the Group effective 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform (Phase 2)*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions*

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

(in millions of KZT)

New and revised IFRS Standards in issue but not yet effective

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

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Annual Improvements to IFRS Standards 2018-2020:	
Amendments to IFRS 3 – "Reference to the Conceptual Framework"	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – "Onerous Contracts – Cost of Fulfilling a Contract"	1 January 2022
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB

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

4. Revenue

Revenue includes interest revenue, fees, commissions, seller fees, transaction & membership revenue, rewards and other losses. Rewards earned by retail customers of the Group are deducted from revenue.

	Year ended 31 December 2021	Year ended 31 December 2020
REVENUE	**884,822**	**602,869**
Interest revenue	422,075	322,913
Fees & commissions	191,831	165,450
Seller fees	149,070	63,196
Transaction & membership revenue	175,901	94,921
Rewards	(51,981)	(38,568)
Other gains (losses)	(2,074)	(5,043)

(in millions of KZT)

Revenue by segments for the years ended 31 December 2021 and 2020 is presented below:

	Year ended 31 December 2021	Year ended 31 December 2020
Marketplace	**153,604**	**65,977**
Seller fees	149,070	63,196
Other gains (losses)	4,534	2,781
Payments	**217,085**	**120,923**
Transaction & membership revenue	166,449	88,347
Interest revenue	50,636	32,576
Fintech	**566,114**	**454,537**
Interest revenue	371,439	290,337
Fees & commissions	191,831	165,450
Transaction & membership revenue	9,452	6,574
Other gains (losses)	(6,608)	(7,824)
Segment Revenue	**936,803**	**641,437**
Rewards	(51,981)	(38,568)
REVENUE	**884,822**	**602,869**

Interest revenue includes interest originated from financing to customers through the Kaspi.kz Super App or from financing purchases on the Marketplace Platform, third party merchant sites and third-party mobile apps. It also includes interest revenue from securities and deposits placed with banks.

Fees & commissions revenue mainly includes banking service fees and commissions, which are paid by customers on a monthly basis.

Seller fees includes fees paid by merchants from shopping transactions originated on the Marketplace Platform. The Group earns seller fees when transactions are completed and are generally determined as a percentage based on the value of merchandise and services being sold by merchants. Seller fees also include revenue from delivery and marketing services paid by Marketplace merchants.

The Group earns Transaction revenue at point in time when processing payments for regular household needs, payments for purchases both online and in-store, other debit card transactions, online money wire transfers both inside the country domestically and globally, and transactions by SME and corporate customers. Since the 4th quarter of 2021 Payment Platform also includes transaction revenue from our payments business in Ukraine. For the years ended 31 December 2021 and 2020, the Transaction revenue was KZT 156,738 million and KZT 83,716 million, respectively.

Membership revenue is earned over time and includes annual fees of KZT 19,163 million (2020: KZT 11,205 million) paid by individual customers, SME and corporate customers for engagement in Kaspi.kz.

(in millions of KZT)

Other gains (losses) are mainly due to net gains (losses) on foreign exchange operations and financial assets and liabilities at fair value through profit or loss. For the years ended 31 December 2021 and 2020, the net loss on foreign exchange operations were KZT (656) million and KZT (6,087) million, respectively. For the years ended 31 December 2021 and 2020, the net (loss) gain on financial assets and liabilities at fair value through profit or loss were KZT (7,066) million and KZT 6,124 million, respectively. It also includes revenue from Kaspi Travel and revenue from OOO Digital Classifieds in the Republic of Azerbaijan.

5. Segment Reporting

The Group reports its business in three operating segments as described in Note 1 to the consolidated financial statements of the Group.

The following tables present the summary of each segments' revenue, net revenue and net income:

	Year ended 31 December 2021	Year ended 31 December 2020
SEGMENT REVENUE	**936,803**	**641,437**
Marketplace	153,604	65,977
Payments	217,085	120,923
Fintech	566,114	454,537
SEGMENT NET REVENUE	**691,941**	**442,124**
Marketplace	142,354	60,730
Payments	195,205	102,943
Fintech	354,382	278,451
NET INCOME	**435,214**	**263,348**
Marketplace	99,716	38,587
Payments	126,653	60,554
Fintech	208,845	164,207

Segment revenue reporting policies are the same as the Group's revenue accounting policies described in Note 3, with the exception of accounting for Kaspi Bonus rewards. We have designed Kaspi Bonus as a tool to increase cross-platform customer engagement and promote daily use of our Super App. As a result, for management reporting and for segment reporting purposes we continue to account for rewards as selling and marketing expenses and allocate accordingly.

(in millions of KZT)

Expenses associated with share-based compensation are recognised across the segments. The following table presents the summary of share-based compensation expense by segments:

	Year ended 31 December 2021	Year ended 31 December 2020
SHARE-BASED COMPENSATION	**(20,057)**	**(11,515)**
Marketplace	(1,934)	(1,065)
Payments	(4,620)	(2,598)
Fintech	(13,503)	(7,852)

Operating segments are reported in a manner consistent with internal reports, which are reviewed and used by management and board of directors (who are identified as Chief Operating Decision Makers, "CODM").

6. Cost of revenue

Cost of revenue includes interest expense, transaction expenses and operating expenses which are directly attributable to the Group's everyday operating activities.

	Year ended 31 December 2021	Year ended 31 December 2020
COST OF REVENUE	**(244,862)**	**(199,313)**
Interest expense	(171,491)	(139,002)
Transaction expenses	(16,542)	(14,074)
Operating expenses	(56,829)	(46,237)

Interest expenses include interest expenses on customer accounts, mandatory insurance of retail deposits and interest expenses on debt securities, including subordinated debt.

Transaction expenses are mainly composed of the costs associated with accepting, processing and otherwise enabling payment transactions. Those costs include fees paid to payment processors, payment networks and various service providers.

Operating expenses include costs incurred to operate retail network, 24-hour call support and communication with customers, product packaging and delivery, loan origination and risk assessment, customer deposit acquisition and other expenses which can be attributed to the Group's operating activities related to the provision of the products and services.

(in millions of KZT)

Employee benefits, depreciation and amortisation expenses and operating lease expenses are presented as follows:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Employee benefits	**Deprecia-tion & amorti-sation**	**Operating lease**	**Employee benefits**	**Deprecia-tion & amortisa-tion**	**Operating lease**
Cost of revenue	(17,361)	(831)	(1,084)	(17,596)	(625)	(1,302)
Technology & product development	(24,478)	(9,359)	(1,641)	(13,136)	(6,688)	(1,635)
Sales & marketing	(403)	-	-	(340)	-	(2)
General & administrative expenses	(16,043)	(1,876)	(2,097)	(15,074)	(2,035)	(1,959)
Total	**(58,285)**	**(12,066)**	**(4,822)**	**(46,146)**		**(4,898)**

Expenses associated with share-based compensation are recognised across the functions in which the compensation recipients are employed. The following table sets forth an analysis of share-based compensation expense by function for the periods indicated:

	Year ended 31 December 2021	**Year ended 31 December 2020**
SHARE-BASED COMPENSATION	**(20,057)**	**(11,515)**
Cost of revenue	(1,148)	(397)
Technology & product development	(9,020)	(4,818)
Sales & marketing	(27)	-
General & administrative expenses	(9,862)	(6,300)

(in millions of KZT)

7. Provision expense

The movements in loss allowance were as follows:

	Loans to customers			Due from banks	Financial assets at FVTOCI			Cash and cash equivalents	Other assets	Contin-gencies	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	
Loss allowance for ECL as at 31 December 2020	**40,062**	**7,674**	**74,153**	**26**	**374**	**-**	**2,564**	**3**	**2,058**	**28**	**126,942**
Changes in provisions											
-Transfer to Stage 1	5,556	(1,145)	(4,411)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(335)	832	(497)	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(2,033)	(4,723)	6,756	-	-	-	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(8,490)	9,608	16,509	(8)	(54)	-	278	(2)	2,392	(14)	20,219
New assets issued or acquired	54,379	-	-	-	8	-	-	-	-	-	54,387
Repaid assets (except for write off)	(25,096)	(1,664)	(13,265)	-	(198)	-	-	-	-	-	(40,223)
Write-off, net of recoveries	-	-	(11,458)	-	-	-	(180)	-	(605)	4	(12,239)
Foreign exchange difference	-	-	4	1	-	-	-	-	1	-	6
As at 31 December 2021	**64,043**	**10,582**	**67,791**	**19**	**130**	**-**	**2,662**	**1**	**3,846**	**18**	**149,092**

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

As at 31 December 2021, the allowance for expected credit losses on financial assets at fair value through other comprehensive income of KZT 2,792 million (31 December 2020: KZT 2,938 million) is included in the 'Revaluation reserve of financial assets' within equity.

(in millions of KZT)

	Loans to customers			Due from banks	Financial assets at FVTOCI			Cash and cash equivalents	Other assets	Contin-gencies	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	
Loss allowance for ECL as at 31 December 2019	**31,983**	**5,235**	**70,195**	**22**	**304**	**789**	**-**	**9**	**2,378**	**51**	**110,966**
Changes in provisions											
-Transfer to Stage 1	3,445	(635)	(2,810)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(443)	892	(449)	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(2,475)	(3,576)	6,051	-	-	(789)	789	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(4,921)	6,541	16,356	-	(220)	-	1,775	(6)	298	(23)	19,800
New assets issued or acquired	27,343	-	-	4	296	-	-	-	-	-	27,643
Repaid assets (except for write off)	(14,870)	(783)	(4,162)	-	(6)	-	-	-	-	-	(19,821)
Write-off, net of recoveries	-	-	(11,136)	-	-	-	-	-	(36)	-	(11,172)
Foreign exchange difference	-	-	108	-	-	-	-	-	6	-	114
Loss allowance for assets, reclassified as Assets held for sale	-	-	-	-	-	-	-	-	(588)	-	(588)
As at 31 December 2020	**40,062**	**7,674**	**74,153**	**26**	**374**	**-**	**2,564**	**3**	**2,058**	**28**	**126,942**

(in millions of KZT)

8. Income tax

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

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

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

Deferred income tax liabilities comprise:

	31 December 2021	31 December 2020
Vacation reserve, accrued bonuses and share-based compensation	779	1,155
Property, equipment and intangible assets	(3,263)	(3,485)
Other	17	11
Net deferred tax liability	**(2,467)**	**(2,319)**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Net income before income tax	**528,802**	**317,824**
Tax at the statutory tax rate of 20%	(105,760)	(63,565)
Non-taxable income	12,303	9,793
Adjustment recognised in the period for current tax of prior periods	1,626	-
Non-deductible expense	(1,757)	(704)
Income tax expense	**(93,588)**	**(54,476)**
Current income tax expense	(95,066)	(54,465)
Adjustment recognised in the period for current tax of prior periods	1,626	-
Deferred income tax expense	(148)	(11)
Income tax expense	**(93,588)**	**(54,476)**

(in millions of KZT)

Non-taxable income was represented by interest income on governmental and other qualified securities in accordance with the tax legislation. Corporate income tax rate is 20% in Kazakhstan and Azerbaijan, and 18% in Ukraine.

	31 December 2021	31 December 2020
Net deferred tax liability:		
At the beginning of the period	**(2,319)**	**(2,373)**
Change in deferred income tax balances recognised in profit or loss	(148)	(11)
Reclassified as liabilities directly associated with the assets classified as held for sale	-	65
At the end of the period	**(2,467)**	**(2,319)**

9. Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under share-based compensation plan.

	31 December 2021	31 December 2020
Net income attributable to the shareholders of the Company	431,914	260,964
Weighted average number of ordinary shares for basic earnings per share	192,187,223	191,805,000
Weighted average number of ordinary shares for diluted earnings per share	194,341,305	193,716,115
Earnings per share – basic (KZT)	**2,247**	**1,361**
Earnings per share – diluted (KZT)	**2,222**	**1,347**

Reconciliation of the number of shares used for basic and diluted EPS:

	31 December 2021	31 December 2020
Weighted average number of ordinary shares for basic earnings per share	192,187,223	191,805,000
Number of potential ordinary shares attributable to Share-based Compensation	2,154,082	1,911,115
Weighted average number of ordinary shares for diluted earnings per share	**194,341,305**	**193,716,115**

10. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	151,668	149,366
Current accounts with other banks	161,524	38,725
Short-term deposits with other banks	28,909	117,907
Reverse repurchase agreements	-	24,411
Total cash and cash equivalents	**342,101**	**330,409**

(in millions of KZT)

Cash on hand includes cash balances with ATMs and cash in transit. As at 31 December 2021 and 2020, the fair value of collateral of reverse repurchase agreements classified as cash and cash equivalents are KZT Nil million and KZT 29,931 million, respectively.

11. Investment securities and derivatives

Investment securities and derivatives comprise:

	31 December 2021	31 December 2020
Total financial assets at fair value through OCI	606,462	865,847
Total financial assets at fair value through profit or loss	955	3,725
Total investment securities and derivatives	**607,417**	**869,572**

Financial assets at fair value through OCI comprise:

	31 December 2021	31 December 2020
Debt securities	606,107	865,577
Equity investments	355	270
Total financial assets at fair value through OCI	**606,462**	**865,847**

As at 31 December 2021 and 2020, sovereign debt securities of KZT 347,166 million and KZT 659,132 million, respectively, were included in debt securities.

Financial assets at fair value through profit or loss comprise:

	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss:		
Derivative financial instruments	955	3,725
Total financial assets at fair value through profit or loss	**955**	**3,725**

As at 31 December 2021, financial assets at fair value through profit or loss included swap and spot instruments of KZT 98 million (2020: KZT 19 million) with a notional amount of KZT 60,914 million (2020: KZT 10,514 million) and forwards of KZT 857 million (2020: KZT 3,706 million) with a notional amount of KZT 126,348 million (2020: KZT 139,193 million).

As at 31 December 2021, financial liabilities at fair value through profit or loss included swap and spot instruments of KZT 67 million (2020: KZT 3 million) with a notional amount of KZT 60,986 million (2020: KZT 10,488 million) and forwards of KZT 2,341 million (2020: KZT 2,990 million) with a notional amount of KZT 134,704 million (2020: KZT 142,428 million) and are disclosed in Note 18.

(in millions of KZT)

12. Loans to customers

	31 December 2021	31 December 2020
Gross loans to customers	2,573,153	1,526,443
Less: allowance for impairment losses (Note 7)	(142,416)	(121,889)
Total loans to customers	**2,430,737**	**1,404,554**

All loans to customers issued by the Group were allocated to the Fintech segment for internal segment reporting purposes.

Movements in allowances for impairment losses on loans to customers for the periods ended 31 December 2021 and 2020 are disclosed in Note 7.

Accrued interest of KZT 27,648 million and KZT 19,331 million, respectively, was included in loans to customers.

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

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

	Gross NPLs	Total allowance for impairment	Total allowance for impairment to gross NPLs
Total non-performing loans to customers as at 31 December 2021	120,652	142,416	118%
Total non-performing loans to customers as at 31 December 2020	120,894	121,889	101%

Provision expense on loans to customers:

	Year ended 31 December 2021	Year ended 31 December 2020
Provision expense on loans to customers:		
Loans to customers	(31,981)	(25,504)
Total provision expenses on loans to customers	**(31,981)**	**(25,504)**

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

(in millions of KZT)

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

Loans to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount	2,407,687	29,831	135,635	2,573,153
Loss allowance	(64,043)	(10,582)	(67,791)	(142,416)
Carrying amount as at 31 December 2021	**2,343,644**	**19,249**	**67,844**	**2,430,737**

Loans to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount	1,351,855	20,500	154,088	1,526,443
Loss allowance	(40,062)	(7,674)	(74,153)	(121,889)
Carrying amount as at 31 December 2020	**1,311,793**	**12,826**	**79,935**	**1,404,554**

13. Property, equipment and intangible assets

	Buildings and construction	Furniture and equipment	Intangible assets	Construction in progress	Total
At initial/revalued cost					
31 December 2019	**37,297**	**41,674**	**15,446**	**1,087**	**95,504**
Additions	851	11,948	4,206	1,915	18,920
Disposals	(432)	(600)	(280)	-	(1,312)
Reclassified as held for sale	(830)	(78)	(104)	-	(1,012)
31 December 2020	**36,886**	**52,944**	**19,268**	**3,002**	**112,100**
Additions	1,158	16,270	8,578	1,528	27,534
Disposals	(282)	(3,947)	(694)	-	(4,923)
Transfers	4,504	-	-	(4,504)	-
31 December 2021	**42,266**	**65,267**	**27,152**	**26**	**134,711**
Accumulated depreciation and impairment					
31 December 2019	**7,500**	**19,778**	**7,241**	**-**	**34,519**
Charge for the year	783	5,527	2,574	-	8,884
Eliminated on disposals	(306)	(465)	(279)	-	(1,050)
Reclassified as held for sale	(124)	(48)	(97)	-	(269)
31 December 2020	**7,853**	**24,792**	**9,439**	**-**	**42,084**
Charge for the year	785	7,286	4,265	-	12,336
Disposals	(281)	(3,835)	(694)	-	(4,810)
31 December 2021	**8,357**	**28,243**	**13,010**	**-**	**49,610**
Net book value					
31 December 2021	**33,909**	**37,024**	**14,142**	**26**	**85,101**
31 December 2020	**29,033**	**28,152**	**9,829**	**3,002**	**70,016**

As at 31 December 2021 and 2020, property and equipment included fully depreciated property and equipment of KZT 9,922 million and KZT 10,614 million, respectively.

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

(in millions of KZT)

The fair value of buildings and construction was determined based on the market comparable approach that reflects recent transaction prices for similar properties and was carried out by independent appraisers not related to the Group. In measuring fair value of the Group's buildings and construction, the measurements were categorized into Level 3. During the years 2021 and 2020, there were no movements between Level 3 and other levels.

14. Other assets

	31 December 2021	31 December 2020
Other financial assets:		
Receivables from VISA and Master Card	9,594	1,348
Settlement with brokers	8,733	6,617
Prepayments for customers online transactions	5,014	7,820
Other	2,031	2,323
Total other financial assets	**25,372**	**18,108**
Less: allowance for impairment losses	(3,433)	(1,939)
Total net other financial assets	**21,939**	**16,169**
Other non-financial assets:		
Investment property	18,574	23,788
Other	18,831	11,807
Total other non-financial assets	**37,405**	**35,595**
Less: allowance for impairment losses	(413)	(119)
Total net other non-financial assets	**36,992**	**35,476**
Total other assets	**58,931**	**51,645**

Movements in allowances for impairment of other assets are disclosed in Note 7.

Investment property movement is presented as follows:

	2021	2020
Cost		
As at 1 January	24,643	30,178
Additions	1,440	4,320
Disposals	(6,527)	(9,855)
As at 31 December	**19,556**	**24,643**
Accumulated depreciation		
As at 1 January	(855)	(374)
Depreciation charge	(342)	(704)
Disposals	215	223
As at 31 December	**(982)**	**(855)**
Net book value	**18,574**	**23,788**

During the years ended 31 December 2021 and 2020, the Group foreclosed collateral it held as security for loans. As a result, the Group received investment property of KZT 1,440 million and KZT 4,320 million, respectively.

(in millions of KZT)

As at 31 December 2021 and 2020, the fair value of investment property was KZT 22,718 million and KZT 27,430 million, respectively. In measuring fair value of the Group's investment property, the measurements were categorized into Level 3.

15. Due to banks

	31 December 2021	31 December 2020
Recorded at amortised cost:		
Repurchase agreements	75,524	-
Time deposits of banks and other financial institutions	968	-
Total due to banks	**76,492**	**-**

Accrued interest of KZT 62 million and KZT Nil million, respectively, was included in due to banks.

Fair value of collateral of repurchase agreements, which were classified as due to banks as at 31 December 2021 and 2020, amounted to KZT 75,295 million and KZT Nil, respectively.

16. Customer accounts

	31 December 2021	31 December 2020
Individuals		
Term deposits	2,070,822	1,634,409
Current accounts	534,190	403,851
Total due to individuals	**2,605,012**	**2,038,260**
Corporate customers		
Term deposits	43,131	41,032
Current accounts	114,900	71,289
Total due to corporate customers	**158,031**	**112,321**
Total customer accounts	**2,763,043**	**2,150,581**

As at 31 December 2021 and 2020, accrued interest of KZT 15,423 million and KZT 12,265 million, respectively, was included in customer accounts.

As at 31 December 2021 and 2020, customer accounts of KZT 26,679 million and KZT 16,080 million, respectively, were held as security against loans.

As at 31 December 2021 and 2020, customer accounts of KZT 41,490 million (1.50%) and KZT 76,576 million (3.56%), respectively, were due to the top twenty customers.

(in millions of KZT)

17. Debt securities issued

	Currency	Maturity date month/ year	Nominal interest rate %	31 December 2021	31 December 2020
Third bond program – first issue	KZT	January 2025	9.90	51,045	51,043
Third bond program – second issue	KZT	January 2024	9.80	48,414	48,412
Third bond program – third issue	KZT	January 2023	9.70	40,252	39,656
Total debt securities issued				**139,711**	**139,111**

As at 31 December 2021 and 2020, accrued interest of KZT 5,620 million and KZT 5,620 million, respectively, was included in debt securities issued. All debt securities issued are recorded at amortised cost as at 31 December 2021 and 2020. The Group did not have any defaults or other breaches with respect to its debt securities during the years ended 31 December 2021 and 2020.

18. Other liabilities

	31 December 2021	31 December 2020
Other financial liabilities:		
Payables for customers' online transactions	12,080	8,980
Derivative financial liabilities	2,408	2,993
Accrued expenses	2,281	1,614
Accrued dividends payable to non-controlling interest	1,003	1,382
Payables for Visa and Master Card transactions	808	527
Other	369	96
Total financial liabilities	**18,949**	**15,592**
Other non-financial liabilities:		
Prepayments	10,653	11,172
Current income tax payable	8,609	854
Other taxes payable	6,936	3,265
Accumulated employee benefits, vacation reserves	3,938	3,049
Deferred tax liabilities	2,512	2,319
Accumulated share-based compensation	-	2,727
Other	4,721	2,365
Total non-financial liabilities	**37,369**	**25,751**
Total other liabilities	**56,318**	**41,343**

(in millions of KZT)

19. Subordinated debt

	Currency	Maturity date month/ year	Nominal interest rate, %	31 December 2021	31 December 2020
Second bond program - first issue	KZT	July 2021	1% plus inflation rate	-	10,230
Second bond program – third issue	KZT	February 2023	2% plus inflation rate	5,317	5,401
Third bond program – fourth issue	KZT	June 2025	10.7%	62,266	62,263
Debt component of preference shares	KZT	n/a	n/a	82	115
Total subordinated debt				**67,665**	**78,009**

The debt component of preference shares relates to subsidiary Kaspi Bank JSC, and is held by the non-controlling interest. As at 31 December 2021 and 2020, accrued interest of KZT 3,457 million and KZT 3,816 million, respectively, was included in subordinated debt.

All subordinated debt are recorded at amortised cost as at 31 December 2021 and 2020. The above liabilities are subordinated to the claims of depositors and other creditors of the issuer in the event of liquidation. The Group did not have any defaults or other breaches with respect to its subordinated debt during the years ended 31 December 2021 and 2020.

Reconciliation of liabilities arising from financing activities

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

			Non-cash changes		
	1 January 2021	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2021
Debt securities issued	139,111	-	-	600	139,711
Subordinated debt	78,009	(10,371)	-	27	67,665

			Non-cash changes		
	1 January 2020	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2020
Debt securities issued	138,574	-	-	537	139,111
Subordinated debt	77,786	-	-	223	78,009

(in millions of KZT)

20. Share capital

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

	Authorised shares	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares				
1 January 2020	216,742,000	199,500,000	7,695,000	191,805,000
Movement	-	-	-	-
31 December 2020	**216,742,000**	**199,500,000**	**7,695,000**	**191,805,000**
Movement	-	-	(382,223)	382,223
31 December 2021	**216,742,000**	**199,500,000**	**7,312,777**	**192,187,223**

In March 2021, share options in the quantity of 382,223 shares were exercised from treasury shares under the share-based compensation plan.

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

	Ordinary shares	Total
Balance at 1 January 2020	**95,825**	**95,825**
Movements	-	-
31 December 2020	**95,825**	**95,825**
Movements	1,705	1,705
31 December 2021	**97,530**	**97,530**

All shares are KZT denominated. The Group has one class of ordinary shares which carry no right to fixed income. Share premium represents an excess of contributions received over the nominal value of shares issued and amounts received as a result of the resale of shares over their purchase price.

On 15 October 2020, the Company completed its IPO on the London Stock Exchange (LSE) and the Astana International Exchange (AIX). The Company did not raise any primary funds in the IPO, with all shares sold being those held by the existing shareholders of the Company.

(in millions of KZT)

The following tables represent dividends declared:

	Dividends declared	Dividend per share
March 2021	170,662	KZT 888
September 2021	79,758	KZT 415
December 2021	89,942	KZT 468
Total for 2021	**340,362**	

	Dividends declared	Dividend per share
June 2020	76,563	KZT 399
September 2020	98,805	KZT 515
Total for 2020	**175,368**	

21. Share-based compensation reserve

In the fourth quarter of 2020, the Group introduced share-based compensation, according to which senior executives and other core Group personnel receive share options or phantom shares of the Group. Awards are payable in annual installments over a five year vesting schedule for share options and a two year vesting schedule for phantom shares.

In the third quarter of 2021, the Group replaced its phantom shares program with share options to better align the interest of the participants with the long-term interests of the Company and its Shareholders. As a result of such modification, a liability for phantom shares as at the date of replacement was derecognised and share options measured at their fair value at the date of the replacement were recognised. Awards are payable in annual installments over a five-year vesting schedule. The previous phantom share program had a two-year vesting schedule. Now all Share-based programs of the group are equity settled with no phantom shares involved.

In addition, the program was expanded to include more senior executives and other core Group personnel, who will all receive share options of the Group. Share options were measured at fair value of the shares at the date of grant. Awards are payable in annual installments over a five-year vesting schedule.

The management of the Group believes that share-based awards are vital to attract, incentivize and retain employees over the long-term.

(in millions of KZT)

Share-based compensation expenses

The Group applies the graded vesting method, under which granted equity instruments are vested in instalments over the vesting period. Each installment is separately measured and attributed to expense over the vesting period. According to IFRS 2, this accelerates the recognition of compensation expenses resulting in a higher proportion of expenses being recognised in the early years of overall plan.

	Year ended 31 December 2021	Year ended 31 December 2020
Share-based compensation expense	**(20,057)**	**(11,515)**
Share options	(19,631)	(8,788)
Phantom shares	(426)	(2,727)

Phantom share expenses in the amount of KZT 426 million refer to revaluation of the 1st year of the previous Phantom share program vested in the 1st quarter of 2021.

Share Options

Share options are measured at fair value of the shares at the date of grant using the Black-Scholes model. The fair value determined at the grant date is expensed over the five year vesting period, based on the group's estimate of the number of shares that will eventually vest. Recipients of Share Options are entitled to the dividends once shares vested and exercised.

The following table summarizes the details of the share options outstanding:

	Year ended 31 December 2021 (shares)	Year ended 31 December 2020 (shares)
Outstanding at the beginning of the year	**1,911,115**	**-**
Granted	625,190	1,911,115
Forfeited	-	-
Exercised	(382,223)	-
Expired	-	-
Outstanding at the end of the year	**2,154,082**	**1,911,115**

Share options in the quantity of 501,335 shares are expected to be exercised in March 2022. All shares that will eventually vest will be delivered from treasury shares.

(in millions of KZT)

The following table represents Share-Based Compensation reserve outstanding:

	Share-Based Compensation reserve
1 January 2020	-
Share options accrued	8,788
31 December 2020	**8,788**
Share options accrued	19,631
Share options exercised	(7,177)
31 December 2021	**21,242**

22. Commitments and contingencies

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

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

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

As at 31 December 2021 and 2020, provision for losses on contingent liabilities were KZT 18 million and KZT 28 million, respectively.

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

	31 December 2021	**31 December 2020**
	Nominal amount	**Nominal amount**
Commitments on loans and unused credit lines: Revocable loans	131,804	91,920
Guarantees issued and similar commitments	1,904	1,460
Total contingent liabilities and credit commitments	**133,708**	**93,380**

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

(in millions of KZT)

Legal proceedings

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

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2021 and 2020, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Taxes

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

23. Transactions with related parties

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Transactions with related parties	Total category as per financial statements captions	Transactions with related parties	Total category as per financial statements captions
Consolidated statement of financial position				
Loans to customers	3,568	2,573,153	4,098	1,526,443
- other related parties	3,568		4,098	
Allowance for losses on loans to customers	(13)	(142,416)	(1)	(121,889)
- other related parties	(13)		(1)	
Customer accounts	17,077	2,763,043	8,349	2,150,581
- key management personnel of the Group	2,421		1,235	
- other related parties	14,656		7,114	

(in millions of KZT)

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Transactions with related parties	Total category as per financial statements caption	Transactions with related parties	Total category as per financial statements caption
Compensation to key management personnel:				
Employee benefits	(782)	(58,285)	(783)	(46,146)
Share-based compensation	(11,381)	(20,057)	(8,446)	(11,515)

During the years ended 31 December 2021 and 2020, interest income from other related parties were KZT 362 million and KZT 133 million, respectively.

During the years ended 31 December 2021 and 2020, interest expense from transactions with key management personnel were KZT 22 million and KZT 16 million, respectively, and other related parties were KZT 144 million and KZT 148 million, respectively.

During the years ended 31 December 2021 and 2020, transaction costs attributable to loans to customers and paid to other related parties, were KZT 10,981 million and KZT 12,527 million, respectively.

24. Fair value of financial instruments

a. Fair value of financial instruments

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

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

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

(in millions of KZT)

Financial assets/ financial liabilities	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)
Non-derivative financial assets at fair value through other comprehensive income (Note 11)	230,847	406,772	Level 1	Quoted prices in an active market
Non-derivative financial assets at fair value through other comprehensive income (Note 11)	375,581	459,041	Level 2	Quoted prices in markets that are not active.
Unlisted Equity investments classified as financial assets at fair value through other comprehensive income	34	34	Level 3	Adjusted net assets based on most recent published financial statements of unlisted companies with discount for marketability and liquidity. Discount ratios varies from 10% to 30%.
Derivative financial assets (Note 11)	955	3,725	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities (Note 18)	2,408	2,993	Level 2	DCF method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

As at 31 December 2021, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 81,672 million and KZT 160,527 million, respectively. As at 31 December 2020, the fair value of the investment securities in Level 2 includes short-term and long-term sovereign debt securities of KZT 303,024 million and KZT 67,347 million, respectively. Those investment securities are by nature and for regulatory purposes treated as high quality liquid assets, but are classified as Level 2 due to insufficient trading on active market.

(in millions of KZT)

There were no transfers between Level 1 and Level 2 in the period.

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

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

	31 December 2021		
	Carrying amount	**Fair value**	**Fair value hierarchy**
Due from banks	50,903	50,783	Level 2
Loans to customers	2,430,737	2,465,700	Level 3
Due to banks	76,492	75,870	Level 2
Customer accounts	2,763,043	2,751,213	Level 2
Debt securities issued	139,711	137,649	Level 2
Subordinated debt	67,665	67,272	Level 2

	31 December 2020		
	Carrying Amount	**Fair value**	**Fair value hierarchy**
Due from banks	44,259	44,203	Level 2
Loans to customers	1,404,554	1,482,035	Level 3
Customer accounts	2,150,581	2,109,827	Level 2
Debt securities issued	139,111	138,924	Level 2
Subordinated debt	78,009	77,506	Level 2

Loans to customers

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

Debt securities issued, subordinated debt

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

Customer accounts

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

Information about measurement hierarchy of property, equipment and intangible assets is disclosed in Note 13.

(in millions of KZT)

Due from banks

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

Due to banks

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

Assets and liabilities for which fair value approximates carrying value

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

25. Regulatory matters

The management of JSC Kaspi Bank (subsidiary of the Company) monitor capital adequacy ratio based on requirements of standardized approach of Basel Committee of Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems" (December 2010, updated in June 2011). In 2021, the management of JSC Kaspi Bank implemented updated requirements stated in Basel III: Finalising post-crisis reforms (December 2017). The new methodology introduces a unified standardized approach for estimation of risk weighted assets for the operational risk, replacing previously in force standardized and advanced measurement approaches.

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

	31 December 2021	**31 December 2020** (as per updated approach)	**31 December 2020** (as per previous approach)
Capital adequacy ratios:			
Tier 1 capital	15.9%	15.9%	14.7%
Total capital	18.0%	20.4%	18.8%

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

	31 December 2021	**31 December 2020**
Capital adequacy ratios:		
Tier 1 capital (k1.2)	11.5%	11.3%
Total capital (k.2)	12.9%	14.3%

26. Risk management policy

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

Credit risk

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

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

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

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

Maximum Exposure

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

As at 31 December 2021 and 2020, the maximum exposure to credit risk after offset and collateral was equal to its carrying value of all financial assets except for loans to customers.

As at 31 December 2021 and 2020, the maximum exposure to credit risk after offset and collateral of loans to customers were KZT 1,875,603 million and KZT 1,067,047 million, respectively.

(in millions of KZT)

Collateral held as security and other credit enhancements

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

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

Although, the Group uses collateral as credit enhancement to mitigate its exposure to credit risk, major part of its loan portfolio is represented by unsecured loans. Thus, as at 31 December 2021 and 2020, unsecured gross carrying amount of loans to customers were KZT 1,989,342 million and KZT 1,162,426 million, respectively.

As at 31 December 2021 and 2020, credit impaired loans with a net carrying value of KZT 16,084 million and KZT 19,330 million, respectively were either fully or partially collateralized, reflecting the extent to which collateral and other credit enhancements mitigate credit risk.

Credit quality of financial assets

The tables below present information about the significant changes in the gross carrying amount of loans during the period that contributed to changes in the loss allowance during the year ended 31 December 2021 and 31 December 2020:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loans at amortised cost				
Gross carrying amount as at 1 January 2021	**1,351,855**	**20,500**	**154,088**	**1,526,443**
Changes in the gross carrying amount				
- Transfer to Stage 1	13,221	(3,124)	(10,097)	-
- Transfer to Stage 2	(30,543)	31,690	(1,147)	-
- Transfer to Stage 3	(58,892)	(12,232)	71,124	-
New financial assets originated or purchased	2,113,372	-	-	2,113,372
Financial assets that have been repaid	(981,326)	(7,003)	(32,014)	(1,020,343)
Write-offs	-	-	(46,324)	(46,324)
Other changes	-	-	5	5
Gross carrying amount as at 31 December 2021	**2,407,687**	**29,831**	**135,635**	**2,573,153**

(in millions of KZT)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans at amortised cost				
Gross carrying amount as at 1 January 2020	**1,228,093**	**15,383**	**156,041**	**1,399,517**
Changes in the gross carrying amount				
- Transfer to Stage 1	10,198	(2,180)	(8,018)	-
- Transfer to Stage 2	(19,835)	21,026	(1,191)	-
- Transfer to Stage 3	(63,280)	(10,207)	73,487	-
New financial assets originated or purchased	938,746	-	-	938,746
Financial assets that have been repaid	(742,067)	(3,522)	(27,601)	(773,190)
Write-offs	-	-	(38,739)	(38,739)
Other changes	-	-	109	109
Gross carrying amount as at 31 December 2020	**1,351,855**	**20,500**	**154,088**	**1,526,443**

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers that individually assessed for impairment				
Grades: Low to fair risk	22,526	-	-	22,526
Grade: Impaired	-	-	6,391	6,391
Loans to customers that collectively assessed for impairment	2,385,161	29,831	129,244	2,544,236
Total gross carrying amount	**2,407,687**	**29,831**	**135,635**	**2,573,153**
Loss allowance	(64,043)	(10,582)	(67,791)	(142,416)
Carrying amount as at 31 December 2021	**2,343,644**	**19,249**	**67,844**	**2,430,737**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers that individually assessed for impairment				
Grades: Low to fair risk	23,260	-	-	23,260
Grade: Impaired	-	-	14,094	14,094
Loans to customers that collectively assessed for impairment	1,328,595	20,500	139,994	1,489,089
Total gross carrying amount	**1,351,855**	**20,500**	**154,088**	**1,526,443**
Loss allowance	(40,062)	(7,674)	(74,153)	(121,889)
Carrying amount as at 31 December 2020	**1,311,793**	**12,826**	**79,935**	**1,404,554**

(in millions of KZT)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	14,017	-	-	14,017
Investment grade (BBB+ - BBB-)	29,046	-	-	29,046
Non-Investment grade (BB+ - B-)	1,222	-	-	1,222
Low grade (CCC+ and lower)	-	-	-	-
Total gross carrying amount	**44,285**	-	-	**44,285**
Loss allowance	(26)	-	-	(26)
Carrying amount as at 31 December 2020	**44,259**	-	-	**44,259**

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	883	-	-	883
Investment grade (BBB+ - BBB-)	848,887	-	-	848,887
Non-Investment grade (BB+ - B-)	14,497	-	-	14,497
Low grade (CCC+ and lower)	-	-	1,310	1,310
Carrying amount as at 31 December 2020	**864,267**	-	**1,310**	**865,577**

(in millions of KZT)

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

	A- and higher	BBB+ to BBB-	BB+ to B-	CCC+ and lower	Not rated	Total
Gross carrying value:						
31 December 2021						
Cash and cash equivalents, net of cash on hand	102,514	86,884	41	-	994	190,433
Mandatory cash balances with NBRK	-	32,734	-	-	-	32,734
Due from banks	20,504	29,710	708	-	-	50,922
Investment securities and derivatives	1,217	596,643	7,848	4,501	-	610,209
31 December 2020						
Cash and cash equivalents, net of cash on hand	36,837	143,763	273	-	173	181,046
Mandatory cash balances with NBRK	-	27,659	-	-	-	27,659
Due from banks	14,017	29,046	1,222	-	-	44,285
Investment securities and derivatives	3,368	850,434	14,817	3,891	-	872,510

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

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. Modification doesn't lead to a material change in the net present value ("NPV"), therefore the Group doesn't recognise a modification gain/loss. The following tables refer to modified financial assets where modification does not result in derecognition. Financial assets (with loss allowance based on lifetime ECL) modified during the years ended 31 December 2021 and 2020:

	2021	2020
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 1 January	**17,923**	**14,126**
Gross carrying amount of modified loans within period	20,222	21,173
Loans transferred to Non impaired category (Cured loans)	(16,425)	(11,600)
Loans transferred to NPL	(6,875)	(5,516)
Repaid loans	(2,824)	(260)
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 31 December	**12,021**	**17,923**

The net carrying amount of loans at time of modification, that are modified during the years ended 31 December 2021 and 2020 were KZT 13,079 million and KZT 12,931 million, respectively. The gross carrying amount of modified loans for which the loss allowance changed from lifetime to 12-month ECL in the years ended 31 December 2021 and 2020 were KZT 9,020 million and KZT 8,018 million, respectively.

Macro sensitivity

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 1 percentage point. For the purpose of ECL estimation, the Group takes a growth rate of real GDP at 3.90% and 3.76% for years 2022 and 2023, respectively as the baseline scenario, 5.89% and 5.75% for years 2022 and 2023, respectively as an upside scenario and 1.91% and 1.77% for the years 2022 and 2023 respectively as a downside scenario. A change in the baseline growth rate of real GDP by +/- 1 percentage point with respective correction of the upside and downside scenarios lead to a change in the loss allowance amount by KZT -8,134/+8,181 million as at 31 December 2021, respectively.

Liquidity risk

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

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

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

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

A major part of the Group's obligations consists of customer accounts of individuals, with nominal maturity under 2 years. However 96% of deposits in 2021 were rolled over, which ensures the Group maintains a reliable and long-term funding base. The average amount of individuals' customer accounts balance is KZT 828 thousand as at 31 December 2021, which is another indicator of diversification and stability of the funding base.

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

(in millions of KZT)

Market risk

Price Risk

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

Currency risk

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

Interest rate risk

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

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
Total interest bearing financial assets	429,046	466,439	1,342,621	818,762	106,545	3,163,413
Total interest bearing financial liabilities	255,838	454,882	1,387,054	299,036	5,526	2,402,336
Interest sensitivity gap	173,208	11,557	(44,433)	519,726	101,019	
Cumulative interest sensitivity gap	173,208	184,765	140,332	660,058	761,077	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
Total financial assets	1,308,515	428,337	1,155,879	498,702	94,398	3,485,831
Total financial liabilities	920,656	455,573	1,387,477	299,036	5,526	3,068,268
Guarantees issued and similar commitments	317	110	-	4,500	-	4,927
Total financial liabilities and commitments	920,973	455,683	1,387,477	303,536	5,526	3,073,195
Liquidity gap	387,542	(27,346)	(231,598)	195,166	88,872	
Cumulative liquidity gap	387,542	360,196	128,598	323,764	412,636	

(in millions of KZT)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
Total interest bearing financial assets	657,658	402,890	780,943	505,353	121,978	2,468,822
Total interest bearing financial liabilities	119,086	322,098	1,002,664	447,357	5,159	1,896,364
Interest sensitivity gap	538,572	80,792	(221,721)	57,996	116,819	
Cumulative interest sensitivity gap	538,572	619,364	397,643	455,639	572,458	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
Total financial assets	1,475,461	259,040	629,677	228,341	100,103	2,692,622
Total financial liabilities	606,119	323,393	1,004,259	447,357	5,159	2,386,287
Guarantees issued and similar commitments	18	1	-	2,177	-	2,196
Total financial liabilities and commitments	606,137	323,394	1,004,259	449,534	5,159	2,388,483
Liquidity gap	869,324	(64,354)	(374,582)	(221,193)	94,944	
Cumulative liquidity gap	869,324	804,970	430,388	209,195	304,139	

For more relevant representation of the liquidity risk, in 2021 the Group has introduced in these consolidated financial statements an additional table, where investment securities are presented in the category up to one month, as they can be traded in open market if needed. The liquidity disclosure as at 31 December 2020 is presented with the effect of these changes.

As at 31 December 2021 and 2020, guarantee deposits in favour of international payments systems included in due from banks were KZT 50,214 million and KZT 43,062 million, respectively.

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

Interest rate sensitivity analysis

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

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

As at 31 December 2021, the impact on profit before income tax due to a +/-3 p.p. change in interest rate amounted -/+ KZT 150 million (2020: -/+ KZT 469 million).

(in millions of KZT)

As at 31 December 2021, the impact on equity due to a +/-3 p.p. change in interest rate amounted KZT -24,236 million KZT/+25,684 million (2020: KZT -17,261 million/ KZT +18,474 million).

Currency risk

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

	Tenge	USD 1 USD = KZT 431.80	EUR EUR 1 = KZT 489.10	Other currency	31 December 2021 Total
Non-derivative financial assets					
Total non-derivative financial assets	3,140,201	334,006	6,748	3,922	**3,484,877**
Non-derivative financial liabilities					
Total non-derivative financial liabilities	2,550,500	506,102	5,574	1,272	**3,063,448**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**589,701**	**(172,096)**	**1,174**	**2,650**	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(184,863)	(5,035)	(3,913)	(4,287)	(198,098)
Accounts receivable on spot and derivative contracts	857	182,328	2,446	2,587	188,218
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(184,006)**	**177,293**	**(1,467)**	**(1,700)**	**(9,880)**
NET POSITION	**405,695**	**5,197**	**(293)**	**950**	

	Tenge	USD 1 USD = KZT 420.91	EUR EUR 1 = KZT 516.79	Other currency	31 December 2020 Total
Non-derivative financial assets					
Total non-derivative financial assets	2,398,772	278,917	7,362	3,846	**2,688,897**
Non-derivative financial liabilities					
Total non-derivative financial liabilities	1,953,837	420,094	5,560	808	**2,380,299**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**444,935**	**(141,177)**	**1,802**	**3,038**	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(137,184)	(1,297)	(14,729)	(2,700)	(155,910)
Accounts receivable on spot and derivative contracts	3,706	136,788	12,920	19	153,433
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(133,478)**	**135,491**	**(1,809)**	**(2,681)**	**(2,477)**
NET POSITION	**311,457**	**(5,686)**	**(7)**	**357**	

Currency risk sensitivity

The Group analysed sensitivity to an increase and decrease in the USD and EUR against the KZT. 25% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at 31 December 2021 and 2020 for a 25% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

As at 31 December 2021, the impact on profit or loss and on equity due to +/-25% change in USD rate were KZT +/-1,299 million (2020: KZT +/-1,422 million).

As at 31 December 2021, the impact on profit or loss and on equity due to +/-25% change in EUR rate were KZT +/-73 million (2020: KZT +/-2 million).

27. Subsequent events

In January 2022, Kaspi Cloud LLC, a separate legal entity fully owned by Kaspi Office LLC, has been established. Kaspi Cloud LLC is providing data center services, that support the storage, maintenance and processing of information using server software and equipment.

In the first half of January 2022, a series of large protests took place in Kazakhstan, which grew into violent unrest. A number of facilities were looted and damaged, including facilities of the Group. To respond to these riots, the Government imposed a two-week state of emergency throughout the territory of Kazakhstan and introduced certain restrictions of movement of the population and activities of entities depending on their location. As a result of anti-terror operations, there were significant limitations on internet access throughout Kazakhstan, which led to disruption of online transactions. Financial organizations limited their operations for the period of the state of emergency. Management has analysed the impact of these events on the Group's business and the analysis has demonstrated that losses are approximately KZT 1.5 billion. However, Management continues to monitor the current economic situation.

In response to the political situation and its economic implications, the Government has prepared initiatives designed to address the current crisis. A special charitable fund "For the People of Kazakhstan", which is funded from private and public sources, is established to support citizens of Kazakhstan in the field of healthcare, education and provide other social support. The Group has contributed KZT 10 billion to the fund.

On 24 February 2022, due to external geopolitical situation, the NBRK has set the base rate at 13.5% p.a. with a corridor of +/- 1.0 p.p. In response to the devaluation of national currency, the NBRK has performed interventions on the currency market to support tenge exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the external risk and its impact on the economy of countries where the Group operates. The Management of the Group believes it is taking all necessary measures to support the sustainability of the Group under these conditions.

In order to maintain the stability of the financial market and support the attractiveness of tenge deposits, the Government has announced the realization of the protection program for tenge deposits, under which tenge deposits of individuals will be provided with compensation out of Government budget resources equal to around 10% of savings as at 23 February 2022.